

# **AZALEA COMMONS RETAIL DEVELOPMENT**

## **4900 BROOK ROAD RICHMOND, VIRGINIA**



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Practicum for MS in Real Estate

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Johns Hopkins University  
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# TABLE OF CONTENTS

❖	<b>Executive Summary .....</b>	<b>I</b>
	• Summary of Project Development	
	• Summary of Finance and Investment Requirements	
	• SWOT Analysis	
❖	<b>Location and Geography .....</b>	<b>II</b>
	• Map of Site	
	• Directions to Site	
❖	<b>Economic Analysis .....</b>	<b>III</b>
	• National Economy	
	• Richmond Metro Economy	
❖	<b>Retail Market Analysis .....</b>	<b>IV</b>
	• Inventory and Construction	
	• Richmond Northeast Retail Sub-market	
	• Market Competition	
❖	<b>Site Analysis .....</b>	<b>V</b>
	• Westminster Canterbury	
	• Adjacent Residential Neighborhoods	
❖	<b>Demographic Analysis .....</b>	<b>VI</b>
	• Regional Snapshot	
	• Demographic Analysis of Richmond and Henrico Co.	
❖	<b>Retail Trends and Potential Market Capture. ....</b>	<b>VII</b>
	• Trade Area Map	
	• Trade Area Demographics	
	• Psychographics	
	• Retail Trends & Potential Market Capture	
	• Consumer Expenditure Analysis	
	• Trade area Sales Volume	
❖	<b>Finance and Investment Analysis.....</b>	<b>VIII</b>
	• Project Development Budget	
	• Project's Operating Performance	
	• Financial Analysis	
	• Ownership Structure	
❖	<b>Zoning and Land Use Regulations.....</b>	<b>IX</b>

# TABLE OF CONTENTS

	• Current Zoning	
	• Zoning of Surrounding Properties	
	• County Comprehensive Plan	
	• Required Development Standards	
❖	<b>Site Design and Architecture .....</b>	<b>X</b>
	• Design Strategy and Concept	
	• Site Design Features and Amenities	
❖	<b>Construction Management Controls .....</b>	<b>XI</b>
	• Project Delivery Method	
	• Risk Management	
	• Development Team and Responsibilities	
	• Project Schedule	
❖	<b>Market Strategy and Execution .....</b>	<b>XII</b>
	• Leasing Management	
	• Prospective Tenants	
❖	<b>Appendix/Exhibits</b>	

## EXECUTIVE SUMMARY

<b>Proposed Project</b>	<ul style="list-style-type: none"> <li>▪ Azalea Commons</li> </ul>
<b>Location</b>	<ul style="list-style-type: none"> <li>▪ 4900 Brook Road, Richmond Virginia 23227</li> </ul>
<b>Projected Development Cost</b>	<ul style="list-style-type: none"> <li>▪ \$11.1M Land (sunk cost, excluded from total costs)</li> <li>▪ \$1.6M Sitework and Improvements</li> <li>▪ \$27.4M Construction/Hard Costs</li> <li>▪ \$6.3M Design, Legal, Permits and other Soft Costs</li> <li>▪ <b>\$35.30M Total Project Costs</b></li> </ul>
<b>Planned Construction Schedule</b>	<ul style="list-style-type: none"> <li>▪ Design &amp; Public Approvals: July 2008 to May 2009</li> <li>▪ Sitework, Utilities, and Landscaping: Mar '09 to Sept '09</li> <li>▪ Building Construction June 2009 to October 2010</li> </ul>
<b>Financing Requirements</b>	<ul style="list-style-type: none"> <li>▪ \$27.3M Construction Loan</li> <li>▪ \$7.58M Equity</li> <li>▪ \$500K Enterprise Zone Grant from County</li> <li>▪ \$29.012M Permanent Debt/Mortgage</li> </ul>
<b>Investment Analysis</b>	<ul style="list-style-type: none"> <li>▪ NPV is \$7,430,340 at a 12 percent hurdle rate</li> <li>▪ IRR 19.35 percent</li> <li>▪ DCF/Holding Period 12 years</li> </ul>
<b>Trade Area Demographics</b>	<ul style="list-style-type: none"> <li>▪ Total Population for Five Mile Radius: 214,639</li> <li>▪ Total Households for Five Mile Radius: 97,067</li> <li>▪ Average HH Income Five Mile Radius: \$54,442</li> <li>▪ Daytime Work Population: 125,229</li> <li>▪ Traffic Count: 146,525</li> </ul>
<b>Zoning</b>	<ul style="list-style-type: none"> <li>▪ B-2 Business District/Commercial, Urban Mixed Use. Proposed development conforms with zoning regulations and County Master Plan</li> </ul>

## PROJECT DESCRIPTION

This proposal is for the redevelopment of 4900 Brook Road, Richmond Virginia 23227 (Henrico County). The site contains 30 acres and was previously a regional shopping mall but became functionally obsolete and unable to compete with newer malls as the region's demographics changed and was therefore demolished in the early 1990s. Site has been fallow since then and should be redeveloped as mixed use with retail and other uses to serve this underserved neighborhood that

straddles the City of Richmond and County of Henrico. This proposal is for the retail component only. Future development should be phased as the market dictates space needs.

## PROPOSED LAND USE PLAN

Land Use & Building Information				
Site Area	1,306,800 Sq.ft.	30.00 /Acres		
Land Use Plan				
	Lot Coverage	Acres		Square Ft.
Retail Gross Buildable Area	15.73%	4.72		205,555.00
Parking	6.12%	1.84	800 Spaces	80,000.00
Open Space/Landscaping	8.33%	2.50		108,900.00
Reserved for Future Mixed use Development	69.82%	20.94		912,345.00
<b>GRAND TOTAL</b>	<b>100.00%</b>	<b>30.00</b>		<b>1,306,800.00</b>
Planned Uses: Retail Development				
	Gross Sq. Ft.			Leasable Sq. Ft.
Retail	170,355			153,000
Health Club/Gym	11,000			10,000
Restaurants	24,200			22,000
<b>TOTALS</b>	<b>205,555</b>			<b>185,000</b>

## SWOT ANALYSIS

### STRENGTHS

- **Location:** Site has single family residential neighborhoods in proximity that would serve as a customer base. In addition, there is a senior living community that is to the west with 870 residents.
- **Retail Sales Volume:** Retail sales volume for the trade area (5 mile radius) is \$4.8 billion.

### WEAKNESSES

- **Concentration/Sector Risk:** The financial performance of the firm is subject to the risk that should the Project not generate revenues sufficient to meet operating expenses--debt service, and capital expenditures. Specific examples that could affect the owner include but are not limited to the following:

1. Local real estate market conditions, such as oversupply or reduction in demand for office industrial, retail or residential; and
2. Downturns in the national, regional and local economic climate;
3. Competition from other warehouse/flex properties;
4. Local real estate market conditions, such as oversupply or reduction in demand for retail properties; and
5. Vacancies, changes in market rental rates, and the need to perform capital improvements.

### ***OPPORTUNITIES***

Real Estate development cannot create demand or generate new business—it must attract customers from existing business within or beyond the trade area that are not meeting market expectations; fulfill a demand that has not been met within the market area; or capture the increase in purchasing power that results from employment, or income growth. The market/trade area analysis indicates that retail sales are leaking to other areas of the county and that the site would serve City residents that live in proximity to the proposed development.

### ***THREATS***

- **Adverse effects from the tenant's financial insolvency:** The bankruptcy or insolvency of the tenant may adversely affect the income produced by the property should the tenant file bankruptcy protection, the company could suffer a shortfall and thus could adversely affect cash flow.

## SITE LOCATION

The City of Richmond is located in the eastern-central part of the state of Virginia on the James River-Latitude 37 degrees 54' N and Longitude 77 degrees 46'W. The City is 100 miles from the nation's capital. From its Central East Coast location, Richmond is within 750 miles of 151,696,000 people and 301,000 manufacturing firms. Nearly 60 percent of the nation's total personal income and consumer expenditures are within 750 miles of Central Virginia. (Source: The Logistics & Supply Chain Forum).

### LOCATION

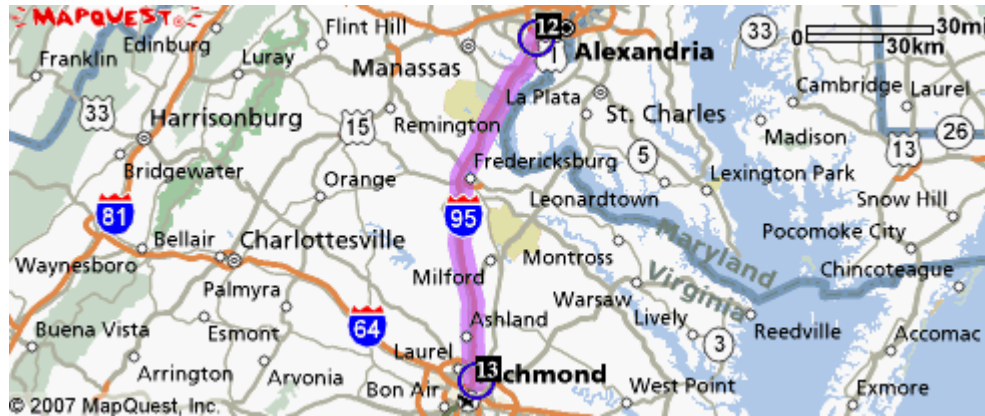
Site is located between I-95 between Westbrook Avenue (Exit 80) and U. S. Route 1 (Exit 81), Richmond, Virginia



The site is surrounded by some of the city's most densely populated areas. The site is uniquely positioned to service the vastly underserved and established neighborhoods of Northern Richmond including Ginter Park, Sherwood Park, and Bellevue.

## DIRECTIONS TO SITE:

- **From Northern Virginia (From 95/395/495):** Take 95 south to Richmond. Take the Chamberlyne Avenue (US 301) Exit 82. Stay straight to go onto Chamberlayne (US 301) South; Turn right (west) onto Azalea Avenue; Turn left onto Brook Road.



- **From Richmond International Airport:** Turn slight right onto South Airport Drive; Merge onto I-64 West toward Richmond.; Merge onto I-95 North; Take exit 81 toward US-1; Turn slight right onto Wilmer Avenue; Turn left onto Brook Road US-1; Continue to follow Brook Road for ~0.3 miles; end at 4900 Brook Road.



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**MACRO ECONOMIC ANALYSIS**


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**NATIONAL ECONOMY**

<b>ECONOMIC INDICATORS</b>			
	<b>2006</b>	<b>2007</b>	<b>2008F</b>
GDP Growth-National	2.80%	2.20%	1.50%
CPI Growth-National	3.20%	2.80%	2.50%
Unemployment-Regional	3.20%	3.10%	3.20%
Employment Growth Regional	1.70%	1.40%	1.00%

The U.S. economy is slowing but not in a recession. The Coincident Economic Index of the Conference Board Leading Economic Indicators, the best measure of where we are, rose by 0.1 percent in December 2007 and thus the

economy was not in recession at year end 2007. Nevertheless, the two-year slide in home building, buying, and in prices and the credit crunch impacts other sectors of the economy. In addition, fuel prices are increasing the costs for transportation. Job growth has slowed sharply — but wage growth has not. And finally, consumers are worried about prices rising faster and business are worried that they will not. Under these conditions, not only were interest rates lowered dramatically, but a new stimulus package has been developed that will provide most taxpayers tax rebates of up to \$600 for individuals or \$1,200 for married couples. The bill also includes measures designed to ease the mortgage crisis by temporarily raising the loan limits for Fannie Mae, Freddie Mac and the Federal Housing Administration. That will allow those agencies to help more homeowners to refinance into lower cost mortgages.

**ECONOMIC TRENDS**

- **GDP Growth:** GDP growth for the U. S. economy is estimated to be 1.5 percent for 2008; this is a decrease from the annual growth estimated of 2.2 percent in 2007. The decrease is attributed to the U.S. financial market strains in the sub-prime sector.
- **Interest Rates.** The current short term interest Fed funds rate is 3 percent as of February 8; this is a decrease of 225 basis points from a year ago.
- **Existing Home Sales:** The price of existing home sales declined to the lowest level recorded since late 2002. Sales declined 9 percent over the previous year, while listings increased 16 percent, resulting in a surge in available inventory with a national average supply of 9.6 months. Some local markets have inventory levels that are 18 to 24 months. Secondly, prices have softened slightly, with the median existing home price down by 1 percent from last year; however, further price adjustments are expected on a market-by-market basis.
- **Payroll Job/Unemployment:** Payrolls are forecast to rise by 1.0 percent or 1.4 million positions in 2008, compared to 1.7 million in 2006. Over the next several months, more financial service jobs will be eliminated as mortgage companies reduce their staffing levels

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and payrolls. In addition, the construction industry will continue to feel the effects of the slowing housing market. Thus job growth gains are projected to be concentrated in education, health services, leisure and hospitality, professional services and trade sectors.

- **Capital Markets:** Underwriting requirements and standards are increasing. Lenders have increased the debt-service-coverage ratios (DSCR) and lowered loan-to-value requirements to the 60 to 70 percent range compared to 75 to 80 percent a few months ago. In some cases, borrowers are finding that loan applications previously accepted based on strong DSCR of 1.25x or higher are being re-priced with reduced loan proceeds, as underwritten cash flows no longer meet the minimum requirements. Thus lenders are seeking credit quality and market fundamentals including employment growth and market demographics and the financial strength of the borrower/investor.
- **Retail Sector:** The retail market benefited from the recent housing boom. Retail sales growth in recent years was largely supported by housing and mortgage refinancing. Rapid home price appreciation, low interest rates, and loose underwriting standards allowed homeowners to cash-out more than \$1 trillion of equity from 2002-2006. Cash-out refinancing will not be a driver going forward and a slower pace of growth is anticipated and retail rents should also rise at a slower pace as consumer spending returns to normal levels.

## HOUSING MARKET PREDICTIONS

- December's numbers were disappointing in every way. Sales and prices were down, inventories were up, and the sales estimates for November were revised down... The pattern in recent months is for Census to revise recent estimates down because of a drawback in its methodology. A new home is recorded as sold when the contract is signed or a deposit made. This often happens before the permit is issued. Therefore, the Census Bureau must guess how many homes are sold before a permit is issued. Over the past several months, Census has been guessing too high, resulting in a sequence of monthly downward revisions. A betting person would be wise to wager that December's estimates will soon be revised downward, as well. –Patrick Newport, Global Insight
- Inventory continues to rise, now at 9.6 months, yet another cycle high and two-and-a-half times the level prevailing during the boom years. Homebuilders are cutting production but with sales still collapsing they have to run to stand still. Yet the stock market apparently believes the worst is over; S&P 500 homebuilders rose 28 percent last week, its best week ever. We think the downside for activity and prices remains considerable. To repeat, there is no sign of a bottom in any of these data. –Ian Shepherdson, High Frequency Economics
- A lousy end to a lousy year. ... Despite a precipitous decline in single family starts, a declining sales rate means that builders are not making any headway in clearing

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- inventories, even with ample sales incentives thrown into the mix... Sure, lower mortgage rates will offer some relief, but mortgage rates have not, will not, and can not, go low enough to offset the massive erosion in affordability that occurred during the life of the housing boom. –Richard F. Moody, Mission Residential.
- Expect housing construction to keep falling for all of 2008 and stay focused on the sales data, which will provide the first evidence of a bottom. The key questions are when and at what level? We remain optimistic on the former question and hopeful but more agnostic on the latter, though admittedly there is not much hard evidence just yet to hang our hats on. –Stephen Stanley, RBS Greenwich Capital
  - The level of new home sales has fallen to around the average rate that prevailed in the mid-1990s, prior to the boom in home sales. Although sales may now be in a sustainable area from a demographic perspective, there is a substantial number of unsold homes hanging over the housing market. –Bear Stearns
  - The median sales price was 10.9 percent lower than in November while the average price of all homes sold fell 14.1 percent. In part, these declines reflect a disproportionate weakening of sales of higher prices homes but they undoubtedly indicate builders are moving more aggressively to trim that stock of unsold homes. –David Resler, Nomura Securities
  - Confidence among potential homebuyers and a slowing economy have begun to alter expectations of future returns on real estate assets. In contrast with the expectation of double-digit annual returns at the height of the real estate mania in 2004-05, we have seen a near 180-degree turn with consumers now fearing further declines in asset values for years beyond their initial purchase. Thus we have entered what we expect to be a painful final leg down in the multiyear correction in the market... Once the increasingly large number of foreclosures begins to appear on the market later this spring, this will act as a further factor, which should depress prices further. –Joseph Brusuelas, IDEAglobal

## INVESTMENT OUTLOOK

- **Cap Rates:** Cap rates for high-quality real estate with strong credit tenants are expected to register only mild increases this year---ranging from approximately 20 to 40 basis points.
- **Foreign Investment:** The decline in the U.S. dollar since 2002 is generating significant foreign demand for U.S. real estate. Retail properties accounted for more than one-third of major foreign commercial real estate purchases last year, nearly matching activity in the office sector.

## RICHMOND METRO ECONOMY

The Richmond region remains an attractive option for national companies seeking low business costs and high quality living. The area's long-term fundamentals are strong despite job cuts at several white-collar employers. Richmond's unemployment rate was three percent in November 2007 which ties for the third lowest unemployment rate in the nation for metro areas over 1 million in population. However, layoffs announced in 2007 will take effect in 2008, notably 2,000 support jobs at Wachovia Securities that are being transferred as a result of the acquisition by A. G. Edwards and 135 jobs in Bank of America's wholesale operation.

## RETAIL MARKET ANALYSIS

The Richmond retail market did not experience much change in market conditions in 2007. The vacancy rate was approximately 5.7 percent. Net absorption was positive—48,987 in mid year 2007 and vacant sublease space decreased by 28,676 square feet. Quoted rental rates averaged \$14.12 per square foot. Deliveries for 2007 include one retail center with 30,000 square feet of retail space and 1.4 million square feet under construction.

- **Inventory and Construction:** Over the past 18 months a total of 618,225 square feet of retail space has been built. This includes ten buildings with 61,132 square feet completed in the first quarter of 2007; six buildings totaling 107,821 square feet completed in the fourth quarter of 2006 and 419,272 square feet in four buildings completed in the third quarter of 2006. There were 1,401,600 square feet of retail space under construction in 2007. Most of the new construction or approximately 83 percent was in the west end including the Regency Retail, Short Pump, Chesterfield, and Staples Mills/Parham Road Retail Sub-markets. These markets reflect growth in housing and commercial office space whereas the Azalea site is in a mature market that is underserved. The total retail inventory in Richmond area amounted to 66,623,468 square feet in 5,360 buildings. The two tables that follow provide retail market statistics for the Richmond Sub-Markets.

## SHOPPING CENTER SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %				
Broad St Corridor Ret	28	1,189,818	45,366	45,366	3.8%	(25)	4,584	0	\$20.16
Colonial Heights Ret	24	2,053,875	43,997	66,921	3.3%	(5,440)	0	0	\$12.84
Downtown Ret	1	9,848	0	0	0.0%	0	0	0	\$0.00
East End Ret	27	1,200,622	94,777	105,937	8.8%	(53,018)	0	9,600	\$12.01
Far West End North Ret	3	66,426	0	0	0.0%	0	0	0	\$0.00
Far West End South Ret	21	954,817	118,358	119,658	12.5%	(37,118)	0	0	\$14.91
Goochland Ret	2	58,000	5,200	5,200	9.0%	(1,600)	0	0	\$14.00
Hopewell Ret	7	458,420	81,677	81,677	17.8%	(1,519)	0	0	\$9.00
I-95 Ashland/NW Ret	8	539,689	25,840	25,840	4.8%	3,925	0	25,000	\$17.93
I-95 Chamberlayne/NE Ret	10	391,576	8,253	8,253	2.1%	8,347	0	0	\$20.50
Jeff Davis Corridor Ret	22	956,226	446,709	446,709	46.7%	(22,902)	0	0	\$2.64
Laburnum/Rte 360 Ret	29	997,062	142,064	147,064	14.7%	(1,017)	0	0	\$8.72
Mechanicsville Ret	21	1,020,509	100,188	100,188	9.8%	(14,892)	0	117,638	\$17.90
Midlothian E/Hull St Ret	71	4,140,925	485,031	485,031	11.7%	84,498	16,109	0	\$8.85
Midlothian Village Ret	13	393,287	30,592	30,592	7.8%	2,888	0	0	\$15.09
Midlothian West Ret	50	4,027,238	253,768	277,468	6.9%	(13,604)	0	9,197	\$18.30
Near West End Ret	14	436,622	17,900	17,900	4.1%	(4,900)	0	0	\$20.33
Petersburg Ret	8	477,629	65,128	66,128	13.8%	(41,823)	0	50,000	\$14.35
Powhatan Ret	10	387,243	18,600	18,600	4.8%	(9,000)	0	17,250	\$16.14
Prince George Ret	5	297,277	25,696	36,196	12.2%	(10,846)	0	0	\$10.50
Regency Ret	28	1,748,530	49,089	49,089	2.8%	(18,248)	0	975,000	\$16.84
Short Pump Ret	22	2,519,745	29,549	35,024	1.4%	(1,396)	0	88,980	\$35.67
South Chesterfield Ret	44	1,650,309	124,634	131,637	8.0%	942	47,879	30,600	\$15.74
Staples Mill/Parham Ret	61	3,365,232	146,911	154,638	4.6%	(9,592)	0	30,200	\$19.20
Swift Creek Ret	38	2,052,692	113,631	144,077	7.0%	52,839	0	14,000	\$16.28
Willowlawn Ret	27	1,183,336	166,511	166,511	14.1%	(5,750)	0	0	\$18.57
<b>Totals</b>	<b>594</b>	<b>32,576,953</b>	<b>2,639,469</b>	<b>2,765,704</b>	<b>8.5%</b>	<b>(99,251)</b>	<b>68,572</b>	<b>1,367,465</b>	<b>\$15.05</b>

Source: CoStar Property®

## TOTAL RETAIL SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Broad St Corridor Ret	122	2,261,702	103,433	107,233	4.7%	(19,825)	4,584	0	\$18.34
Colonial Heights Ret	103	2,876,634	52,821	75,745	2.6%	(4,015)	0	0	\$13.40
Downtown Ret	434	3,596,674	161,036	161,036	4.5%	3,064	0	0	\$13.24
East End Ret	436	3,397,918	176,727	187,887	5.5%	(44,053)	0	9,600	\$9.13
Far West End North Ret	27	477,734	16,800	16,800	3.5%	0	0	0	\$0.00
Far West End South Ret	58	1,346,187	134,030	135,330	10.1%	(45,990)	0	0	\$14.26
Goochland Ret	5	65,463	5,200	5,200	7.9%	(1,600)	0	0	\$14.00
Hopewell Ret	110	1,054,321	88,177	88,177	8.4%	(3,019)	0	0	\$9.00
I-95 Ashland/NW Ret	150	1,590,174	36,270	36,270	2.3%	9,125	0	25,000	\$17.44
I-95 Chamberlayne/NE Ret	63	606,138	11,853	11,853	2.0%	7,247	0	0	\$17.36
Jeff Davis Corridor Ret	491	3,070,592	484,724	484,724	15.8%	(36,571)	0	0	\$3.69
Laburnum/Rte 360 Ret	423	2,890,057	173,031	178,031	6.2%	(4,623)	0	0	\$8.79
Mechanicsville Ret	184	2,575,753	104,188	104,188	4.0%	(13,692)	0	117,638	\$17.71
Midlothian E/Hull St Ret	532	7,719,955	544,692	555,355	7.2%	124,204	38,669	0	\$9.40
Midlothian Village Ret	79	648,504	31,610	31,610	4.9%	11,806	0	7,000	\$15.09
Midlothian West Ret	249	6,118,750	263,830	287,530	4.7%	1,016	0	17,132	\$17.70
Near West End Ret	612	3,495,279	126,348	126,348	3.6%	(9,645)	0	0	\$17.00
Petersburg Ret	59	979,831	155,988	156,988	16.0%	(91,483)	0	50,000	\$9.59
Powhatan Ret	16	433,290	36,685	36,685	8.5%	(27,085)	0	17,250	\$16.57
Prince George Ret	13	345,143	25,696	36,196	10.5%	(10,346)	0	0	\$10.50
Regency Ret	83	2,116,917	55,404	55,404	2.6%	(19,823)	0	975,000	\$16.76
Short Pump Ret	63	3,192,072	42,464	47,939	1.5%	(4,188)	0	88,980	\$34.94
South Chesterfield Ret	233	2,898,436	191,676	198,679	6.9%	(58,885)	47,879	39,600	\$15.83
Staples Mill/Parham Ret	439	7,064,416	210,263	227,015	3.2%	(10,409)	0	30,200	\$17.94
Swift Creek Ret	127	2,719,324	116,271	146,717	5.4%	58,539	0	24,200	\$16.40
Willowlawn Ret	249	3,082,204	305,845	308,845	10.0%	(74,263)	0	0	\$12.72
<b>Totals</b>	<b>5,360</b>	<b>66,623,468</b>	<b>3,655,062</b>	<b>3,807,785</b>	<b>5.7%</b>	<b>(264,514)</b>	<b>91,132</b>	<b>1,401,600</b>	<b>\$14.12</b>

Source: CoStar Property®

- Shopping Centers:** Shopping Center retail in Richmond consists of 594 properties with 32,567,105 square feet of retail space. Over the past 18 months, the Shopping Center vacancy rate has increased from 7.9 percent at the end of the third quarter in 2006 to 8.5 percent in the third quarter of 2007. The most recent project in this sector includes a 975,000 square foot building with no pre-leasing and Short Pump Station Buildings A-F, building A is 90,000 square-foot facility that was 100 percent pre-leased.

## RICHMOND NORTHEAST RETAIL SUB-MARKET

The property, Azalea Commons, is located in the Northeast Retail Sub-market. There are 670 buildings in the sub-market which consists of 6,071,948 of gross square feet. The vacancy rate in this market is approximately 4.8 percent. Net absorption in this sub-market in 2007 was (11,068) square feet and 117,638 under construction. The new construction is in the Mechanicsville Retail Market and is beyond the boundaries of the trade area for Azalea Commons. The table that follows provides a summary of the total retail market for Richmond.

## TOTAL RETAIL MARKET STATISTICS

Sub-Market	Existing Inventory		Direct SF	Vacancy		YTD Net Absorption	YTD Deliveries	Under Const. SF	Quoted Rates
	#Bldgs	GLA		Total SF	Vac %				
Downtown Retail	434	3,596,674	161,036	161,036	4.50%	3,064			\$13.24
Goochland	5	65,463	5,200	5,200	7.90%	(1,600)			\$14.00
<b>Northeast (Site sub-market)</b>	<b>670</b>	<b>6,071,948</b>	<b>289,072</b>	<b>294,072</b>	<b>4.80%</b>	<b>(11,068)</b>		<b>117,638</b>	<b>\$12.94</b>
Northwest	1,803	24,626,685	1,030,857	1,061,184	4.30%	(175,018)	4,584	1,119,180	\$19.06
Powhatan	16	433,290	36,685	36,685	8.50%	(27,085)		17,250	\$16.57
Prince George	13	345,143	25,696	36,196	10.50%	(10,346)		0	\$10.50
Southeast	436	3,397,918	176,727	187,887	5.50%	(44,053)		9,600	\$9.13
Southwest	1,711	23,175,561	1,632,803	1,704,615	7.40%	100,109	86,548	87,932	\$12.42
Tri-cities	272	4,910,786	296,986	320,910	6.50%	(98,517)		50,000	\$10.42
<b>TOTALS</b>	<b>5360</b>	<b>66,623,468</b>	<b>3,655,062</b>	<b>3,807,785</b>	<b>5.70%</b>	<b>(264,514)</b>	<b>91,132</b>	<b>1,401,600</b>	<b>\$14.12</b>



MARKET COMPETITIVE ANALYSIS							
Shopping Center	Distance from Subject	Major Tenants	Strengths	Weaknesses	Market Stats.		
					Vacancy	Rental Rates	
<b>Azalea Commons</b>  Type/Use: Community Retail Acres:30 Building Area Parking Spaces	Subject	N/A	Site borders City of Richmond and can be developed as mixed use/retail that takes advantage of its proximity to residential and senior housing. Site is pedestrian friendly and is served by public transit system (GRTC).	Site as been fallow for over 10 years.	N/A	N/A	
<b>Shoppes at Willow Lawn</b> <b>1601 Willow Lawn Drive</b> <b>Richmond, VA 23230</b> Type/Use: Acres: 20.33 Building Area 467,000 GSF Parking Spaces 2,940 Zoning: Owner: Federal Reality	4.3 Miles	Old Navy, Bath and Body Works, Lane Bryant, Victoria's Secret a Gold's Gym, Blades Day Spa, SuperCuts, Kroger Supermarket or CVS. The Shops at Willow Lawn is centrally located between Broad Street and Monument Avenue, one block west of the Staples Mill in	Location: Mall is located on historic Monument Avenue and West Broad Street, one block west of the Staples Mill intersection and 3 miles west of Virginia Commonwealth University. The Shopping Center is approximately 5 minutes from the scenic Fan District	Age--the mall is the oldest in the City; however, it was renovated in the early 90's. Mall has been resilient as demographics have shifted further west. Its proximity to the Center of the City has benefited its longevity. 44 spaces are vacant or ~119,531 square feet.	25.60%	N/A	Mall footprint is too large for the trade area that it serves. It cannot compete with newer malls to the west that offer more amenities.
<b>Brook Run</b> <b>5950-5962 Brook Rd Richmond, VA 23227-2258 County: Henrico</b> Type/Use: Community Retail Acres: 73.70 Building Area 393,607 Parking Spaces 1,925 Owner: Simon Properties	2.93 Miles	Ukrops, CVS, American Family Fitness	Site shares the trade demographics as Azalea; Ukrops and American Family Fitness as anchors	Unfriendly to pedestrian traffic	3%	Est \$15-\$25	Additional development has been proposed for the site including an office/flex building; Office, and hotel and additional retail
<b>Brook Hill Azalea</b> <b>Chamberlayne Rd &amp; Azalea Ave</b> <b>Richmond, VA 23227 County: Henrico</b> Type/Use: Community Retail Acres: 7.81 Building Area 159,587 Parking Spaces 450 Owner:	1 Mile	Food Lion Family Dollar A&N	Excellent accessibility and visibility; close proximity to I-95	Center needs to be upgraded; Vacancy is 24,350 sq. ft.	15%	\$12/SF/Year	

MARKET COMPETITIVE ANALYSIS							
Shopping Center	Distance from Subject	Major Tenants	Strengths	Weaknesses	Market Stats.		
					Vacancy	Rental Rates	
<b>Virginia Center Commons 10151 Brook Road Glen Allen, VA 23060 County: Henrico</b> Type/Use: Regional Mall Acres: 114 Building Area: 787,000 Parking Spaces: 4,127 Owner: Simon Properties	9 Miles	Macy's, Dillard's, JCPenney, Sears, American Eagle Outfitters, Gap and Gap Kids, Old Navy, Limited Too, Up Against The Wall and Victoria's Secret.	Trade area population 344K Trade area households 139K Average HHI \$67K; 28 percent of households have incomes of at least \$75K	Unfriendly to pedestrian traffic.	2.80%	\$20-\$40 nnn	Opened in 1991; Renovated/expanded 1993  Specialty Retail, Restaurants and Entertainment
<b>Virginia Center Marketplace; 10150 Brook Road Glen Allen, VA 23060 County:</b> Type/Use: Strip Center Acres: 114 Building Area: 787,000 Parking Spaces: 4,127 Owner:	9 Miles	Ukrops/Target	Located directly across from VA Center Commons	Unfriendly to pedestrian traffic	0%	\$25/SF/Year	

COMPETITION MAP





## SITE ANALYSIS

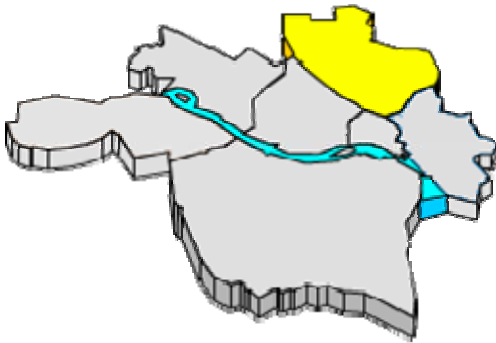
### ADJACENT PROPERTY: WESTMINSTER CANTERBURY



Westminster Canterbury borders the site on the western edge. Westminster Canterbury is a Master Planned Senior Living Retirement Community. It is the oldest Continuing Care Retirement Community (CCRC) in the country. The site contains 25.3 acres. The campus houses more than 870 residents and contains 1.3 million square feet. The master plan (existing and future) includes the following: 575 independent living units; 9

cottage units; 98 assisted living units; 72 memory support units; and 158 health care beds. Total Units: 912.

### ADJACENT RESIDENTIAL NEIGHBORHOODS



The site is located on the north side of Richmond and serves the Bellevue, Sherwood Park, and Ginter Park neighborhoods. These neighborhoods have offered city residents an ideal living environment since the turn of the last century, when an innovative electric streetcar system first made it possible for people to live on the edges of the city while still working downtown. The first of these “streetcar suburbs” was developed in 1890, and by the 1920s Northside was one of Richmond’s most desirable areas in which to live.



**GINTER PARK & SHERWOOD PARK:** The Ginter Park and Sherwood Park neighborhoods are within a 1 to 3 mile radius of the site. Both communities possess a tranquil air and ample greenery, reflecting their original intent as refuges from the bustle of the city’s urban center. Ginter Park is the older of the two neighborhoods and among the city’s first planned developments. It has retained most of its enlightened, turn-of-the century residential planning qualities that established its reputation as “Queen of the

Suburbs.” It was originally an independent community, but was incorporated into the city in 1914. The neighborhood occupies a 21-block area in the heart of North Side and most of the properties are at least 60 years old. Architectural styles vary from Victorian cottages to Georgian mansions, and most homes were built on ample lots with beautiful gardens and foliage. Features include spectacular, mature trees, especially on Seminary Avenue, where they form archways over the street.



The Sherwood Park neighborhood lies just to the south of Ginter Park, along Brookland Park Boulevard. It was also annexed by the city in 1914. Streets and roads bear names rich in English associations: Robin Hood, Little John, Chatham, Suffolk, Gloucester and Whitby. The city’s Little John Park is a local attraction. The handsome community offers spacious brick homes, generous yards and quiet streets.



**BELEVUE:** The Bellevue neighborhood extends north from Ginter Park to the city limits along Westbrook Avenue. The Bellevue neighborhood is immediately adjacent to the site. Originally part of Henrico County, the area was annexed into the city in 1940. The houses in the community vary in size from small dwellings to spacious homes. Cottages and bungalows abound with many featuring large windows, wide porches and verandas. The architecture ranges from



Italianate to Spanish with tile roofs to American Four Square. Roads lined with shade trees curve and meander through the neighborhood. Just west of Bellevue is the expansive Joseph Bryan Park, with walking trails, lakes and its beautiful displays of azaleas.

### Topography and Land Characteristics Adaptability

There are no known physiographic conditions and or circumstances that would prevent the envisioned development from being realized

**The sections that follow provide a demand analysis and show the following:**

- Population, household, and employment growth, trends and projections.
- Economic base analysis for the metropolitan area showing general characteristics of the market, including overall economic trends, employment trends, projections of economic activity and growth patterns.
- Delineations for primary, secondary and peripheral trade areas and accessibility patterns.
- Expenditures patterns and trends by type of goods and service in the trade area.

## DEMOGRAPHIC ANALYSIS

### REGIONAL DEMOGRAPHIC SNAPSHOT

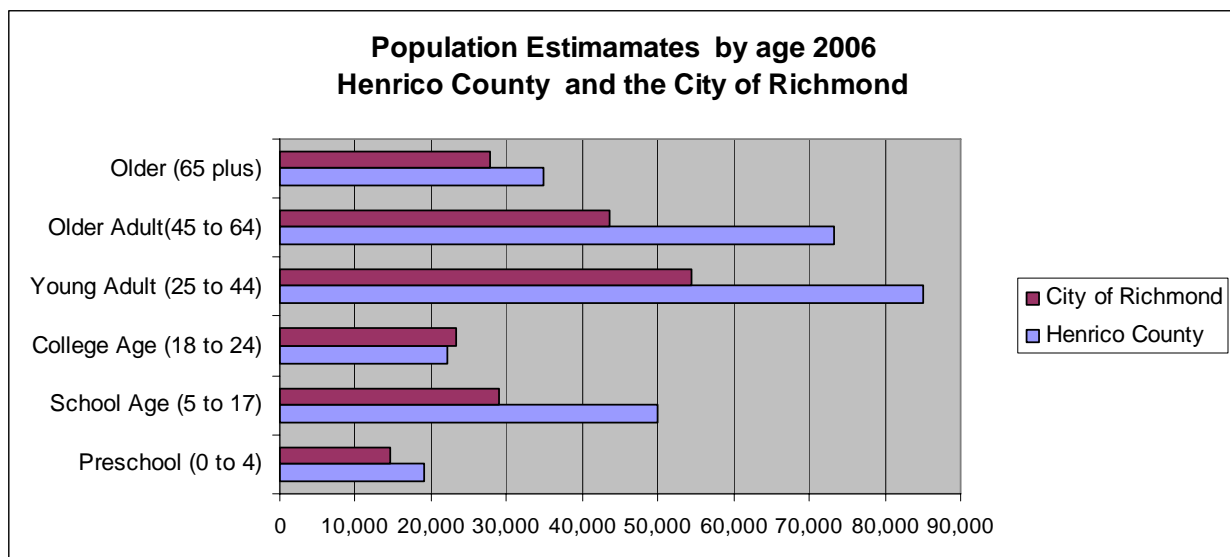
People & Income Overview (By Place of Residence)	Henrico County, VA	City of Richmond	Chesterfield County, VA	Virginia	U.S.
Population(2006)	284,399	192,913	296,718	7,642,884	299,398,484
Growth (%) Since 1990	30.500%	-4.800%	41.600%	23.500%	20.300%
Growth (%) Since 1970	84.200%	-22.700%	285.100%	64.300%	47.300%
Land Area (in sq. miles)	238	60	426	39,594	3,537,438
Population Density (2006)	1,195	3,210	697	193	85
% Reporting One Race Only (2000)	98.600%	98.500%	98.600%	98.000%	97.600%
% Reporting Only African American (2000)	24.700%	57.200%	17.800%	19.600%	12.300%
% Reporting Hispanic (of any race) (2000)	2.300%	2.600%	2.900%	4.700%	12.500%
Households (2000)	108,121	84,549	93,772	2,699,173	105,480,101
Labor Force (2006)	160,768	97,794	163,190	3,998,569	151,428,000
Unemployment Rate (2006)	2.80	4.50	2.70	3.00	4.60
Per Capita Personal Income (PCPI) (2005)	40,036	39,245	37,911	37,503	34,685
10 Year PCPI Growth (%) adj. for inflation	17%	20%	18%	22%	17%
Poverty Rate (2004)	7.80	19.80	6.50	9.50	12.70
H.S. Diploma or More - % of Adults 25+ (2000)	87%	75%	88%	82%	80%
Bachelor's Deg. or More - % of Adults 25+ (2000)	35%	30%	33%	30%	24%
Industry Overview (2006) (By Place of Work)	Henrico County, VA	City of Richmond	Chesterfield County, VA	Virginia	U.S.
Covered Employment	174,763	161,709	118,514	3,635,790	133,833,834
Avg Wage Per Job	\$45,011	\$48,549	\$38,195	\$44,041	\$42,535
Manufacturing - % of all jobs	5.80%	6.20%	8.00%	8.10%	10.60%
Avg Wage Per Job	\$52,230	\$60,654	\$58,069	\$46,061	\$51,476
Transportation and Warehousing - % of all jobs	2.20%	3.60%	4.00%	3.40%	4.00%
Avg Wage Per Job	\$35,966	\$46,463	\$38,671	\$42,807	\$43,117
Health Care, Social Assist. - % of all jobs	12.20%	11.50%	8.00%	10.50%	12.30%
Avg Wage Per Job	\$42,239	\$37,821	\$40,157	\$39,330	\$39,760
Finance and Insurance - % of all jobs	11.20%	4.50%	5.00%	3.70%	4.50%
Avg Wage Per Job	\$73,266	\$80,539	\$60,593	\$68,789	\$78,491

## DEMOGRAPHIC ANALYSIS FOR RICHMOND AND HENRICO COUNTY

**Population Demographics:** The 2006 population of the City of Richmond was estimated at 192,913 persons. This represents a 2.43 percent decrease since 2000. In comparison, the population in neighboring Henrico County was 284,399 or an increase of 7.45 percent since 2000. The table below shows projected population growth for the City of Richmond, County of Henrico, and the Commonwealth of Virginia through 2030.

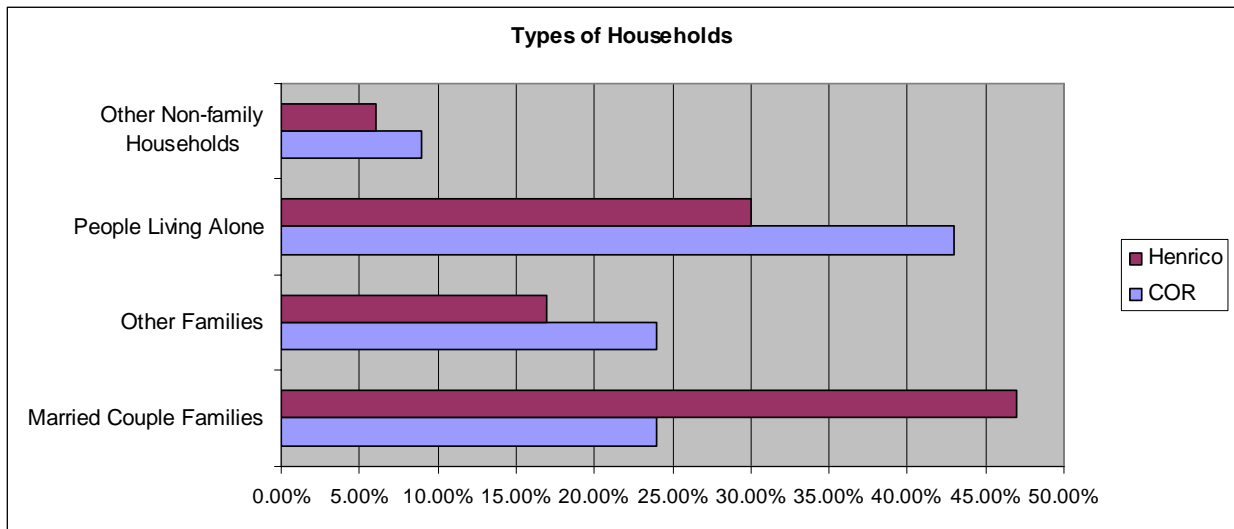
Populaiton Change						
Year	Richmond	% Change	Henrico	% Change	VA	% Change
1990	203,463		218,556		6,216,884	
2000	197,603	-2.97%	263,201	16.96%	7,104,078	12.49%
2006	192,913	-2.43%	284,399	7.45%	7,642,884	7.05%
2010	190,039	-1.51%	301,658	5.72%	8,010,342	4.59%
2020	187,066	-1.59%	339,703	11.20%	8,917,575	10.17%
2030	187,066	0.00%	379,041	10.38%	9,825,288	9.24%

**Aging Population:** The population of the City of Richmond and Henrico County are “graying”. In 2006 in the median age was 35.4 years in the City of Richmond and 37.4 years in Henrico County. In addition, twenty-three percent of the population was under 18 years and 14 percent was 65 years and older in 2006. In Henrico, 24 percent of the population was under 18 and 12 percent was 65 years and older.





**Households and Families:** In 2006 there were 81,000 households in the City of Richmond (COR). The average household size was 2.3 people. In contrast, in 2006 there were 115,000 households and an average household size of 2.4 people in Henrico County.



- Families made up 47 percent of the households in the city of Richmond and includes both married couple families—24 percent and other families 24 percent. Non-family households made up 52 percent of all households in Richmond. Most of the non-family households were people living alone, but some were composed of singles living that were unrelated.
- Families made up 64 percent of the households in Henrico County and includes both married couple families—47 percent and other families 17 percent. Non-family households made up 36 percent of all households in Henrico County. Like Richmond, most of the non-family households were people living alone, but some were composed of singles living together that were unrelated.

## EMPLOYMENT LABOR AND INDUSTRY

	Henrico County	Richmond City, VA	Virginia	United States
<b>LABOR FORCE ANNUAL AVERAGES IN 2006</b>				
Total Labor Force	160,768	97,794	3,998,569	151,428,000
5-year % change	9.30%	2.00%	9.40%	5.40%
10-year % change	18.30%	3.60%	17.60%	13.10%
Employed	156,269	93,440	3,878,988	144,427,000
5-year % change	9.40%	1.70%	9.60%	5.50%
10-year % change	18.40%	4.60%	19.30%	14.00%
Unemployed	4,499	4,354	119,581	7,001,000
5-year % change	4.20%	9.40%	1.60%	2.90%
10-year % change	15.20%	-14.70%	-19.20%	-3.20%
Unemployment Rate	2.8	4.5	3	4.6
5-year % change	-3.40%	7.10%	-6.30%	-2.10%
10-year % change	-3.40%	-16.70%	-30.20%	-14.80%
<b>Educational Attainment: Census 2000</b>				
Total Population 25 and Older	177,191	128,555	4,666,574	182,211,639
Less Than 9th Grade	7,213	9,859	338,184	13,755,477
9th to 12th No Diploma	16,502	22,048	526,426	21,960,148
High School Grad (inc. equiv.)	41,939	30,314	1,212,463	52,168,981
Some College, No Degree	40,225	24,224	951,700	38,351,595
Associate Degree	9,425	4,249	262,813	11,512,833
Bachelor's Degree	41,102	23,951	835,011	28,317,792
Graduate or Prof. Degree	20,785	13,910	539,977	16,144,813
<b>Educational Attainment as a Percentage of Population 25 and Older</b>				
Total Population 25 and Older	100.00%	100.00%	100.00%	100.00%
Less Than 9th Grade	4.10%	7.70%	7.20%	7.50%
9th to 12th No Diploma	9.30%	17.20%	11.30%	12.10%
High School Grad (inc. equiv.)	23.70%	23.60%	26.00%	28.60%
Some College, No Degree	22.70%	18.80%	20.40%	21.00%
Associate Degree	5.30%	3.30%	5.60%	6.30%
Bachelor's Degree	23.20%	18.60%	17.90%	15.50%
Graduate or Prof. Degree	11.70%	10.80%	11.60%	8.90%
<b>Commuting Patterns in 2000</b>				
Working Here (living anywhere)	150,756	157,003	3,388,772	N/A
Workers Living Here (working anywhere)	136,824	88,898	3,475,124	N/A
<b>Commuting as a Percentage of Workers Living in Area</b>				
Workers Living Here (working anywhere)	100.00%	100.00%	100.00%	N/A
Workers Who Don't Commute	55.10%	58.00%	91.00%	N/A
Workers Who Do Commute	44.90%	42.00%	9.00%	N/A

Source: US Census Bureau

## EMPLOYMENT BY INDUSTRY

Industry Distribution of Jobs in 2006	Richmond City	% of Total	Henrico County, VA	% of Total	Virginia	% of Total	US	% of Total
Total Covered Employment and Wages	161,667		174,782		3,636,417		133,833,834	
Private	114,465		159,881		2,976,895		112,718,858	
Agriculture/Forestry/Fishing	D		D		12,691	0.35%	1,167,004	0.87%
Mining	D		D		9,401	0.26%	617,048	0.46%
Construction	N/A		9,678	6%	258,682	7.14%	7,793,430	5.83%
Manufacturing	10,097	7.80%	10,052	6%	296,109	8.18%	14,153,115	10.59%
Wholesale trade	5,286	4.08%	8,333	5.05%	119,535	3.30%	5,885,436	4.41%
Retail trade	9,312	7.19%	22,807	13.83%	430,889	11.90%	15,435,110	11.55%
Transportation, warehousing	5,744	4.44%	3,896	2.36%	124,672	3.44%	5,302,583	3.97%
Utilities	170	0.13%	184	0.11%	18,176	0.50%	803,859	0.60%
Information	3,388	2.62%	4,595	2.79%	97,603	2.69%	3,185,907	2.38%
Finance and Insurance	7,208	5.57%	19,543	11.85%	134,473	3.71%	6,037,467	4.52%
Real Estate, rental, leasing	2,071	1.60%	3,028	1.84%	58,340	1.61%	2,203,542	1.65%
Professional, technical services	10,117	7.81%	13,238	8.03%	353,576	9.76%	7,502,331	5.62%
Mgmt. of companies, enterprises	11,696	9.03%	9,527	5.78%	74,971	2.07%	1,785,257	1.34%
Administrative, waste services	8,601	6.64%	12,799	7.76%	212,898	5.88%	8,376,060	6.27%
Educational services	2,825	2.18%	1,382	0.84%	332,626	9.18%	11,734,366	8.78%
Health care, social assistance	18,535	14.32%	21,272	12.90%	381,757	10.54%	16,480,734	12.34%
Arts, entertainment, recreation	2,492	1.92%	1,697	1.03%	62,384	1.72%	2,286,930	1.71%
Accommodation and food services	8,872	6.85%	13,761	8.34%	294,549	8.13%	11,189,512	8.38%
Other services, exc. public admin.	5,914	4.57%	5,241	3.18%	127,990	3.53%	4,420,427	3.31%
Public Administration	17,129	13.23%	3,924	2.38%	220,360	6.08%	7,228,408	5.41%
<b>TOTALS</b>	<b>129,457</b>	<b>100%</b>	<b>164,957</b>	<b>100%</b>	<b>3,621,682</b>	<b>100%</b>	<b>133,588,526</b>	<b>100%</b>

Source: US Bureau of Labor Statistics (BLS)

D = Non-Discloseable Data; N/A = Not Available;

The total civilian labor force in the City of Richmond was 129,457 in 2006 and 164,957 in Henrico County. The unemployment rate at that time was 4.5 percent. The City is a net importer of workers from the surrounding counties---105,469 individuals commute into Richmond for work while 37,364 of the city's residents commute to localities outside of Richmond for work. In 2006 the mean travel time to work was 20.8 minutes. The largest major industry sector was Health Care and Social Assistance with 15 percent of the workforce followed by Public Administration (State, Local and Federal Government) with 11 percent and Education Services with 10 percent.

## EMPLOYMENT DEMOGRAPHICS TRENDS

1. Employment is concentrated in Government 28.8 percent; Manufacturing 8.5 percent; Health Care 8.1 percent; and Professional and Technical Services 6.2 percent.
2. Most recent new hires have been in Services 47.8 percent; Retail Trade 24.2 percent; and Construction 8.4 percent.
3. Weekly wages were highest in Management--\$1,475; Finance and Insurance--\$1,269; Professional and Technical Services \$1,166; Information \$1,016; and Manufacturing \$994.

4. Industries with the largest proportion of workers at or near retirement age (55 and above) are Finance, Insurance, Real Estate---15.9 percent; Wholesale Trade---14.5 percent; Service 13.2 percent; and Agriculture 11.2 percent.
- **Household Income:** The median income of households in Richmond was \$35,764. Seventy-six percent of the households received earnings and 17 percent received retirement income other than Social Security; 29 percent of the households received Social Security. The average income from Social Security was \$12,128. These income sources are not mutually exclusive; that is, some households received income from more than one source. In contrast, the median income in Henrico County was \$57,195. Eighty-five percent of the households received earnings and 18 percent received retirement income other than Social Security and 23 of the households received Social Security. The average income from Social Security was \$14,719 (U. S. Census Bureau).
  - **Race & Ethnicity:** The City of Richmond and Henrico County are composed of two races—black and white. In 2006 the City was 55 percent black and 41 percent white; Henrico County was 28 percent black and 65 percent white. Richmond and Henrico County are a stark contrast to Fairfax County where racial and ethnic minorities have grown from 6.8 percent of the population in 1970 to 38.2 percent in 2003. In addition, by 2010, approximately 45 percent of Fairfax county’s population may be racial and ethnic minorities and 39 percent may speak a language other than English at home.

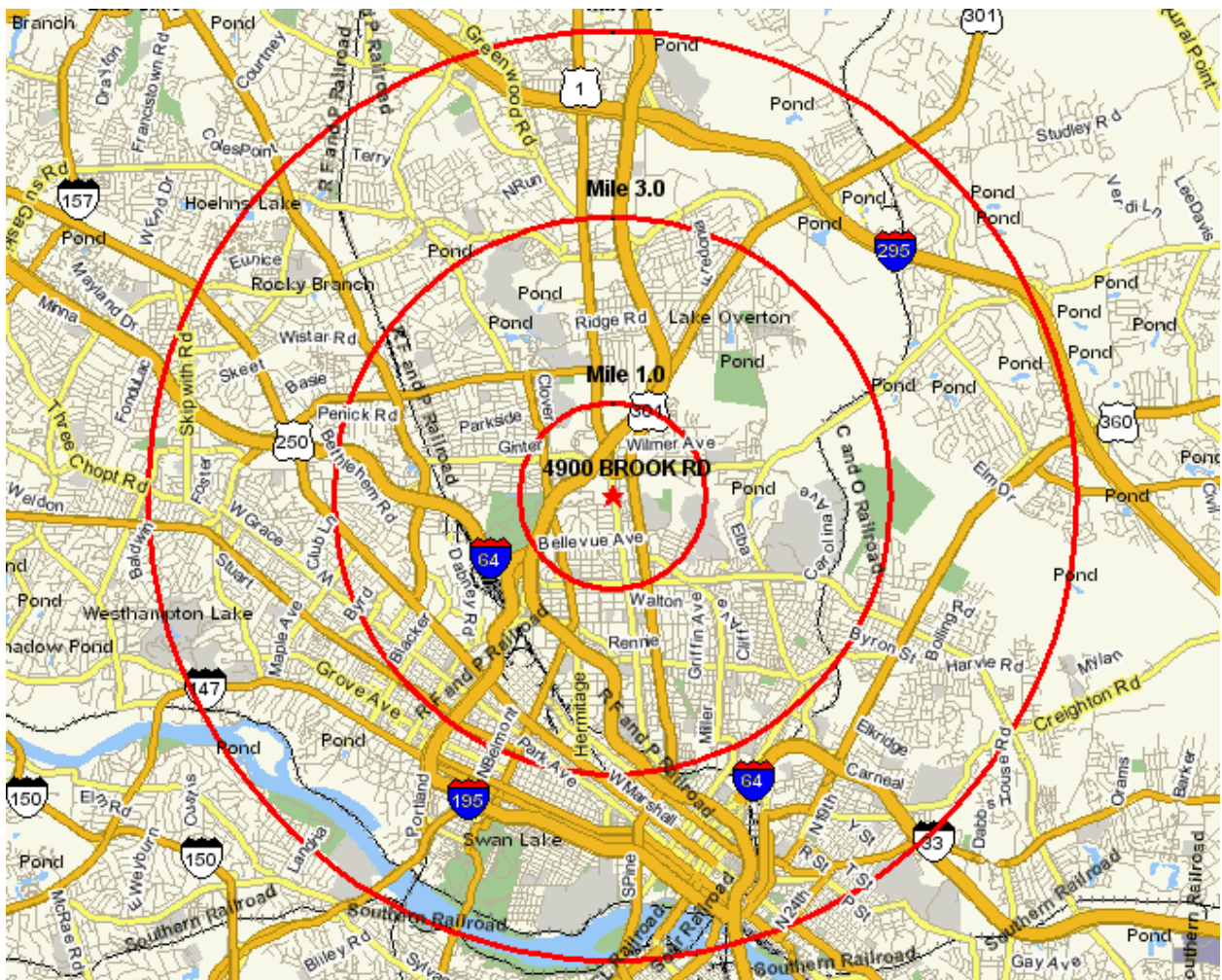
POPULATION PROJECTIONS BY RACE/ETHNICITY												
	2010				2020				2030			
Race	Richmond		Henrico		Richmond		Henrico		Richmond		Henrico	
	Pop.	Percent	Pop.	Percent	Pop.	Percent	Pop.	Percent	Pop.	Percent	Pop.	Percent
White	68,430	36.01%	187,158	62.04%	66,613	35.61%	192,525	56.67%	68,045	36.37%	195,881	51.68%
Black/African America	109,804	57.78%	87,091	28.87%	105,221	56.25%	107,941	31.78%	100,252	53.59%	128,655	33.94%
American Indian/Alaska Native	503	0.26%	989	0.33%	376	0.20%	924	0.27%	290	0.16%	822	0.22%
Asian	3,223	1.70%	16,717	5.54%	4,104	2.19%	24,637	7.25%	4,979	2.66%	35,454	9.35%
Ethnicity												
Hispanic or Latino (of any race)	8,079	4.25%	9,703	3.22%	10,752	5.75%	13,676	4.03%	13,500	7.22%	18,229	4.81%
Total Population	190,039	100%	301,658	100%	187,066	100%	339,703	100%	187,066	100%	379,041	100%

- **Occupied Housing Unit Characteristics:** In 2006, Richmond city had 81,000 occupied housing units: 37,000 (46 percent) owner occupied and 44,000 (54 percent) renter occupied. Six percent of the households did not have telephone service and 19 percent of the households did not have access to a car, truck, or van for private use. Twenty-five percent had two vehicles and another 11 percent had three or more. Henrico County had 115,000 occupied housing units: 79,000 (68 percent) owner occupied and 37,000 (32 percent) renter occupied. Three percent of the households did not have telephone service and 5 percent of the households did not have access to a car, truck, or van for private use. Multi Vehicle households were not rare. Thirty-eight percent had two vehicles and another 23 percent had three or more.
- **Housing Costs:** The median monthly housing costs for mortgaged owners in the City of Richmond was \$1,440, non-mortgaged owners \$469, and renters \$713. Forty-one percent of owners with mortgages, 24 percent of owners without mortgages, and 51 percent of renters in the City of Richmond spent 30 percent or more of household income on housing. In contrast, the median monthly housing costs for mortgaged owners was \$1,425, non-mortgaged owners \$421, and renters \$849 in Henrico County. Thirty-two percent of owners with mortgages, 10 percent of owners without mortgages, and 44 percent of renters in Henrico County spent 30 percent or more of household income on housing.

## RETAIL TRADE AREA ANALYSIS

### TRADE AREA MAP

The map below shows the trade area within a 1, 3, and 5 mile radius



## TRADE AREA DEMOGRAPHICS

	1 MILE RADIUS				3 MILE RADIUS				5 MILE RADIUS			
	2000 Census		2006 Estimate		2000 Census		2006 Estimate		2000 Census		2006 Estimate	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Snapshot</b>												
Population	15,631		14,771		113,909		109,491		218,931		214,639	
Housholds	5,850		6,191		34,254		49,034		88,242		97,067	
Families	2,091		2,319		18,095		20,073		46,613		52,904	
Average House Hold Size	2.01		1.99		2.18		2.14		2.19		2.15	
Owner Occupied	2,092.00		1,195		18,033		20,059		45,961		44,804	
Renter Occupied	2,163.00		4,941		16,221		28,113		42,281		49,276	
Median Adult Age			36				43				44	
Total Daytime Population	N/A		33,697		N/A		129,418		N/A		229,611	
Total Daytime Work Population	N/A		25,133		N/A		75,418		N/A		125,229	
<b>Trends 2000-2006 Estimate Percent Change</b>												
Population	N/A	-0.13%	N/A	-5.82%	N/A	0.80%	N/A	N/A	N/A		N/A	N/A
Households	N/A	0.60%	N/A	5.51%	N/A	3.30%	N/A	N/A	N/A		N/A	N/A
Families	N/A	1.79%	N/A	-1.00%	N/A	1.80%	N/A	N/A	N/A		N/A	N/A
Owner HAS	N/A	1.30%	N/A	-42.88%	N/A	0.37%	N/A	N/A	N/A		N/A	N/A
Median Household Income	N/A	1.00%	N/A	N/A	N/A	1.83%	N/A	N/A	N/A		N/A	N/A
<b>Household by Income</b>												
Less than \$15,000	858	20.20%	2,584	40.95%	6,579	19.16%	13,502.0	27.06%	17,258	19.47%	20,900	21.04%
\$15,000 to \$24,999	553	13.00%	1052	16.67%	5,291	15.41%	8,205.0	16.44%	12,818	14.46%	15,861	15.96%
\$25,000 to \$34,999	557	13.10%	758	12.01%	4,730	13.78%	6,422.0	12.87%	11,351	12.80%	13,485	13.57%
\$35,000 to \$49,999	652	15.30%	770	12.20%	5,874	17.11%	7,230.0	14.49%	14,808	16.70%	15,324	15.42%
\$50,000 to \$74,999	819	19.30%	420	6.66%	6,165	17.95%	6,445.0	12.92%	15,981	18.03%	15,529	15.63%
\$75,000 to \$99,999	389	9.10%	236	3.74%	2,912	8.48%	3,170.0	6.35%	8,072	9.10%	7,554	7.60%
\$100,000 to \$149,999	286	6.70%	183	2.90%	2,005	5.84%	2,433.0	4.88%	5,839	6.59%	4,814	4.85%
\$150,000 or more	137	3.20%	307	4.87%	781	2.27%	2,495.0	5.00%	2,533	2.86%	5,883	5.92%
Median Household income (dollars)	\$40,330		\$ 40,136		\$ 37,717		\$ 38,228		\$ 39,104		\$ 40,642	
Average Household Income	\$52,980		\$ 57,891		\$ 47,342		\$ 50,995		\$ 49,740		\$ 54,442	
Per Capita Income	\$25,570		\$ 28,201		\$ 31,301		\$ 23,246		\$ 22,081		\$ 24,352	
<b>Population by Age</b>												
Under 5 years	553	6.20%	808	5.47%	4,537	5.87%	7558	6.90%	12,133	5.96%	16333	7.61%
5 to 14 years	977	11.00%	1,058	7.16%	9,120	11.81%	10,294	9.40%	24,026	11.80%	21,904	10.21%
15 to 19 years	377	4.30%	2,528	17.12%	4,215	5.46%	10,285	9.39%	13,336	6.55%	18,931	8.82%
20 to 24 years	394	4.50%	1,344	9.10%	5,746	7.44%	5,697	5.20%	17,766	8.72%	10,784	5.02%
25 to 34 years	1,479	16.70%	2,479	16.78%	12,684	16.42%	17,146	15.66%	34,783	17.08%	31,450	14.65%
35 to 44 years	1,647	18.60%	2,039	13.81%	12,128	15.70%	17,327	15.82%	31,399	15.42%	33,686	15.69%
45 to 64 years	1,890	21.30%	3,003	20.33%	16,304	21.11%	26,877	24.55%	41,583	20.42%	52,823	24.61%
65 to 74 years	452	5.10%	708	4.79%	5,574	7.22%	6,532	5.97%	13,810	6.78%	12,312	5.74%
75 to 84 years	591	6.70%	572	3.87%	4,722	6.11%	5,445	4.97%	10,744	5.28%	11,447	5.33%
85 years and over	500	5.60%	231	1.56%	2,212	2.86%	2,331	2.13%	4,072	2.00%	4,967	2.31%
<b>Race and Ethnicity</b>												
White	4,736	53.40%	5,494	36.31%	35,590	45.08%	33,946	30.53%	103,451	49.74%	79,079	35.94%
Black	3,902	44.00%	8,049	53.20%	37,944	48.06%	71,619	64.42%	89,735	43.15%	126,081	57.30%
Asian/Pacific Islander	41	0.50%	737	4.87%	1,514	1.92%	1,562	1.40%	4,892	2.35%	3,143	1.43%
Other Races	85	1.00%	55	0.36%	988	1.25%	297	0.27%	2,566	1.23%	638	0.29%
2 or more Races	97	1.10%	437	2.89%	1,206	1.53%	2,068	1.86%	3,009	1.45%	5,697	2.59%
Hispanic (Any Race)	108	1.20%	359	2.37%	1,710	2.17%	1,691	1.52%	4,319	2.08%	5,394	2.45%

## AVERAGE ANNUAL DAILY TRAFFIC COUNTS 2006

- Dumbarton/Azalea Avenue: 13,525
- Route 1/Azalea Avenue: 22,000
- Interstate 95: 111,000
- TOTAL 146,525**



## CONSUMER PSYCHOGRAPHICS

Psychographics Group	2006 Statistics	Life Style Traits	Demographic Traits
<b>City Startups</b> In City Startups, young, multi-ethnic singles have settled in neighborhoods filled with cheap apartments and a commercial base of cafés, bars, Laundromats and clubs that cater to twenty-something's. One of the youngest segments in America--with ten times as many college students as the national average--these neighborhoods feature low incomes and high concentrations of Hispanics and African-Americans.  Zip Code: 23227, 23221 Distance from Site: 1-3 mile Radius	US Households 1,271,177 (1.12%) Median HH Income \$23,057	Go snowboarding Play soccer Jane magazine Late Night with Conan O'Brien Suzuki Aerio	Ethnic Diversity: White, Black, Asian, Mix Presence of Kids: HH w/o Kids Age Ranges: Age <45 Education Levels: Some College Employment Levels: WC, Service, Mix Homeownership: Mix, Renters Urban city: Second City Income: Lower-Mid
<b>Domestic Duos</b> Domestic Duos represents a middle-class mix of mainly over-55 singles and married couples living in older suburban homes. With their high-school educations and fixed incomes, segment residents maintain an easy-going lifestyle. Residents like to socialize by going bowling, seeing a play, meeting at the local fraternal order or going out to eat  Zip Code: 23227, 23222, 23230 Distance from Site: 1-3 mile Radius	US Households 1,337,428 (1.19%) Median HH Income \$48,115	Order from Readers' Digest ABC World News, Now TV Hollywood Squares TV Hallmark Channel Chevy Cobalt	Ethnic Diversity: White, Black, Mix Presence of Kids: Mostly w/o Kids Age Ranges: 55+ Education Levels: High School Grad Employment Levels: White Collar, Mix Homeownership: Mostly Owners Urban city: Suburban Income: Midscale Income Producing Assets: Above Avg.
<b>Boomtown Singles</b> Affordable housing, abundant entry-level jobs and a thriving singles scene--all have given rise to the Boomtown Singles segment in fast-growing satellite cities. Young, single and working-class, these residents pursue active lifestyles amid sprawling apartment complexes, bars, convenience stores and Laundromats  Zip Code: 23221, 23222 Distance from Site: 1-3 mile Radius	US Households 1,454,363 (1.3%) Median HH Income \$38,616	Go snowboarding Watch Fuse Network The Source magazine Futurama TV Nissan Sentra	Ethnic Diversity: White, Black, Asian, Mix Presence of Kids: HH w/o Kids Age Ranges: <45 Education Levels: Some College Employment Levels: WC, Service, Mix Homeownership: Mix, Renters Urban city: Second City Income: Lower-Mid Income Producing Assets: Below Avg.
<b>American Classics</b> They may be older and retired, but the residents of American Classics are still living the American Dream of home ownership. Few segments rank higher in their percentage of home owners, and that fact alone reflects a more comfortable lifestyle for these predominantly white singles and couples with deep ties to their neighborhoods  Zip Code: 23230 Distance from Site: 1-3 mile Radius	US Households 1,130,447 (1.01%) Median HH Income \$34,138	Eat at Sizzler Steakhouse Belong to a veterans' club The View TV Antiques Roadshow TV Buick LaCrosse	Ethnic Diversity: White, Black, Mix Presence of Kids: Mostly w/o Kids Age Ranges: Age 65+ Education Levels: High School Grad Employment Levels: Mostly Retired Homeownership: Mostly Owners Urban city: Suburban Income: Downscale Income Producing Assets: Moderate
<b>Brite Lites, Li'l City</b> Not all of the America's chic sophisticates live in major metros. Brite Lights, Li'l City is a group of well-off, middle-aged couples settled in the nation's satellite cities. Residents of these typical DINK (double income, no kids) households have college educations, well-paying business and professional careers and swank homes filled with the latest technology.  Zip Code: 23221 Distance from Site: 1-3 mile Radius	US Households 1,684,994 (1.5%) Median HH Income \$69,380	Go to college sports events Eat at Bennigan's Macworld magazine Independent Film Channel Volkswagen Passat	Ethnic Diversity: White, Asian, Mix Presence of Kids: HH w/o Kids Age Ranges: 35-54 Education Levels: College Grad Employment Levels: Professional Homeownership: Mostly Owners Urban city: Second City Income: Upscale Income Producing Assets: Above Avg.



## CONSUMER PSYCHOGRAPHICS

Psychographics Group	2006 Statistics	Life Style Traits	Demographic Traits
<b>New Beginnings</b>  Filled with young, single adults, New Beginnings is a magnet for adults in transition. Many of its residents are twenty something singles and couples just starting out on their career paths--or starting over after recent divorces or company transfers. Ethnically diverse--with nearly half its residents Hispanic, Asian or African-American--New Beginnings households tend to have the modest living standards typical of transient apartment dwellers.  Zip Code: 23227, 23222, 23230 Distance from Site: 1-3 mile Radius	US Households 1,684,207 (1.5%) Median HH Income \$30,994	Go to the movies 4+ times/month Read Jet WWE Magazine (wrestling) Jerry Springer TV Kia Spectra	White, Black, Asian, Hispanic Ethnic Diversity: Family Mix Presence of Kids: Age <45 Age Ranges: Some College Education Levels: White Collar, Mix Employment Levels: Renters Homeownership: Suburban Urban city: Downscale Income: Low Income Producing Assets:
<b>Old Glories</b>  Old Glories are the nation's downscale suburban retirees, Americans aging in place in older apartment complexes. These racially mixed households often contain widows and widowers living on fixed incomes, and they tend to lead home-centered lifestyles. They're among the nation's most ardent television fans, watching game shows, soaps, talk shows and newsmagazines at high rates.  Zip Code: 23227, 23230 Distance from Site: 1-3 mile Radius	US Households 1,084,584 (0.97%) Median HH Income \$30,541	Play bingo Belong to a veterans' club Saturday Evening Post Daytime TV Chrysler Sebring Sedan	White, Black, Asian, Mix Ethnic Diversity: Mostly w/o Kids Presence of Kids: 65+ Age Ranges: High School Grad Education Levels: Mostly Retired Employment Levels: Mix, Owners Homeownership: Suburban Urban city: Downscale Income: Below Avg. Income Producing Assets:
<b>Mobility Blues</b>  Young singles and single parents make their way to Mobility Blues, a segment of working-class neighborhoods in America's satellite cities. Racially mixed and under 25 years old, these transient Americans tend to have modest lifestyles due to their lower-income jobs. Surveys show they excel in going to movies, playing basketball and shooting pool.  Zip Code: 23221, 23222 Distance from Site: 3 mile Radius	US Households 1,314,877 (1.17%) Median HH Income \$28,460	Go to college basketball games Shop at Express WWE Magazine (wrestling) George Michael Sports Machine TV Kia Rio	White, Black, Asian, Hispanic Ethnic Diversity: HH w/o Kids Presence of Kids: <55 Age Ranges: Some College Education Levels: White Collar, Mix Employment Levels: Mix, Renters Homeownership: Second City Urban city: Low Income Income: Low Income Producing Assets:
<b>Movers &amp; Shakers</b>  Movers & Shakers is home to America's up-and-coming business class: a wealthy suburban world of dual-income couples who are highly educated, typically between the ages of 35 and 54, often without children. Given its high percentage of executives and white-collar professionals, there's a decided business bent to this segment: Movers & Shakers rank number-one for owning a small business and having a home office  Zip Code: 23221 Distance from Site: 3-5 mile Radius	US Households 1,807,572 (1.61%) Median HH Income \$99,130	Go scuba diving/snorkeling Eat at Bertucci's Inc. magazine Home study course by internet Porsche 911	White, Asian, Mix Ethnic Diversity: HH w/o Kids Presence of Kids: 35-54 Age Ranges: Graduate Plus Education Levels: Management Employment Levels: Mostly Owners Homeownership: Suburban Urban city: Wealthy Income: High Income Producing Assets:

## CONSUMER PSYCHOGRAPHICS

Psychographics Group	2006 Statistics	Life Style Traits	Demographic Traits
<b>Middleburg Managers</b> Middleburg Managers arose when empty-nesters settled in satellite communities which offered a lower cost of living and more relaxed pace. Today, segment residents tend to be middle-class and over 45 years old, with solid managerial jobs and comfortable retirements. In their older homes, they enjoy reading, playing musical instruments, indoor gardening and refinishing furniture  Zip Code: 23222 Distance from Site: 3-5 mile Radius	US Households 2,079,047 (1.85%) Median HH Income \$49,468	Play bingo Do needlepoint Saturday Evening Post Hollywood Squares TV Mercury Sable	Ethnic Diversity: Mostly White Presence of Kids: HH w/o Kids Age Ranges: Age 45-64 Education Levels: Some College Employment Levels: White Collar, Mix Homeownership: Mostly Owners Urban city: Second City Income: Midscale Income Producing Assets: Above Avg.
<b>Suburban Pioneers</b> Suburban Pioneers represents one of the nation's eclectic lifestyles, a mix of young singles, recently divorced and single parents who have moved into older, inner-ring suburbs. They live in aging homes and garden-style apartment buildings, where the jobs are blue-collar and the money is tight. But what unites these residents--a diverse mix of whites, Hispanics and African-Americans--is a working-class sensibility and an appreciation for their off-the-beaten-track neighborhoods  Zip Code: 23230 Distance from Site: 1-3 mile Radius	US Households 1,163,110 (1.04%) Median HH Income \$33,258	Eat fast food Do needlepoint Baby Talk magazine King of the Hill in syndication Suzuki Verona	Ethnic Diversity: White, Black, Hispanic Presence of Kids: Family Mix Age Ranges: <55 Education Levels: Some College Employment Levels: White Collar, Mix Homeownership: Homeowners Urban city: Suburban Income: Downscales Income Producing Assets: Moderate
<b>Suburban Sprawl</b> Suburban Sprawl is an unusual American lifestyle: a collection of midscale, middle-aged singles and couples living in the heart of suburbia. Typically members of the Baby Boom generation, they hold decent jobs, own older homes and condos, and pursue conservative versions of the American Dream. Among their favorite activities are jogging on treadmills, playing trivia games and renting videos.  Zip Code: 23227 Distance from Site: 1-3 mile Radius	US Households 1,473,003 (1.31%) Median HH Income \$49,233	Buy from Home Shopping Network Eat at Fuddrucker's Entrepreneur magazine Futurama TV Ford Escort	Ethnic Diversity: White, Black, Asian, Mix Presence of Kids: HH w/o Kids Age Ranges: 35-54 Education Levels: College Grad Employment Levels: Professional Homeownership: Homeowners Urban city: Suburban Income: Midscale Income Producing Assets: Moderate
<b>Sunset City Blues</b> Scattered throughout the older neighborhoods of small cities, Sunset City Blues is a segment of lower-middle-class singles and couples who have retired or are getting close to it. These empty-nesters tend to own their homes but have modest educations and incomes. They maintain a low-key lifestyle filled with newspapers and television by day, and family-style restaurants at night.  Zip Code: 23222 Distance from Site: 3-5 mile Radius	US Households 1,878,703 (1.67%) Median HH Income \$37,851	Belong to a veterans' club Eat at casual/buffet restaurant CBS Sunday Night Movie TV Price is Right TV Mercury Grand Marquis	Ethnic Diversity: White, Black, Mix Presence of Kids: Mostly w/o Kids Age Ranges: 65+ Education Levels: High School Grad Employment Levels: Mostly Retired Homeownership: Homeowners Urban city: Second City Income: Lower-Mid Income Producing Assets: Above Avg.

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**RETAIL TRENDS AND POTENTIAL MARKET CAPTURE**

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**CONSUMER EXPENDITURE ANALYSIS**

U. S. consumers are spending less time shopping at the malls according to the International Council of Shopping Centers (ICSC). Shoppers are becoming more efficient---meaning spending more money per visit but making fewer trips. In 2006, shoppers on average made 2.9 visits per month or about 35 trips annually compared with the prior year. ISCS data indicates that the typical mall visit in 2006 was approximately 77.2 minutes. Other trends and patterns are listed below. Survey is based on exit interviews conducted at 45 regional and super-regional malls owned and managed by General Growth Properties, Simon Property Group, and Westfield America.

- **Number and Duration of Mall Visits:** Teens ages 14-17 frequented malls the most—3.9 times in a month and stayed the longest 92.3 minutes of any age group. Men visited malls more often—3.1 times than women 2.8 times; however, the mall stay for men was shorter or 71.3 minutes compared to 80.7 minutes for women. Annually the total time for men would be 221.03 minutes and 225.96 minutes for women. The survey also indicates that two minorities made the most number of trips: African Americans (3.3 times) and Hispanics (3.1 times). Hispanics spent the longest time per visit or 84.2 minutes.
- **Purpose of Visit:** In 2006, the percentage of consumers who went shopping to the mall for general shopping/browsing was approximately 40 percent which is equivalent to those who shopped at a specific store to make a specific purchase or 39 percent.
  - **Mall visits vary by age:** Younger shoppers (ages 14-44) were mostly general shoppers/browsers, while more mature groups (ages 45 and older) were more specific-purpose shoppers.
  - **Non-shopping Reasons:** Aside from shopping and dining, consumers go to the mall for non-shopping reasons such as special events or movies, socializing, etc. In 2006, the survey indicated that there were 15 percent of these non-shoppers.

- **General Shopping:** General shopping/browsing took a lot longer (86.8 minutes) than shopping at a specific store or for a specific purchase—approximately 69.3

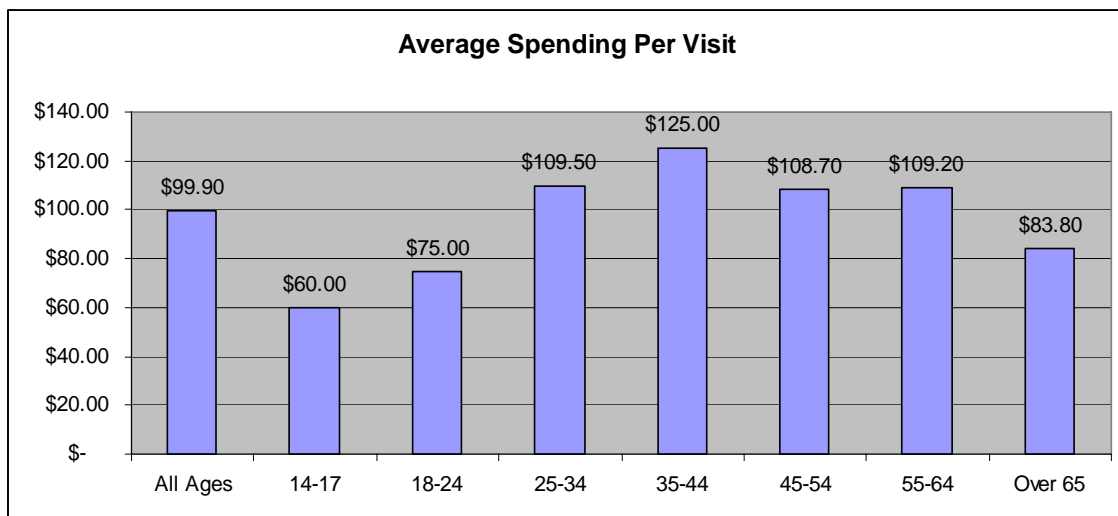
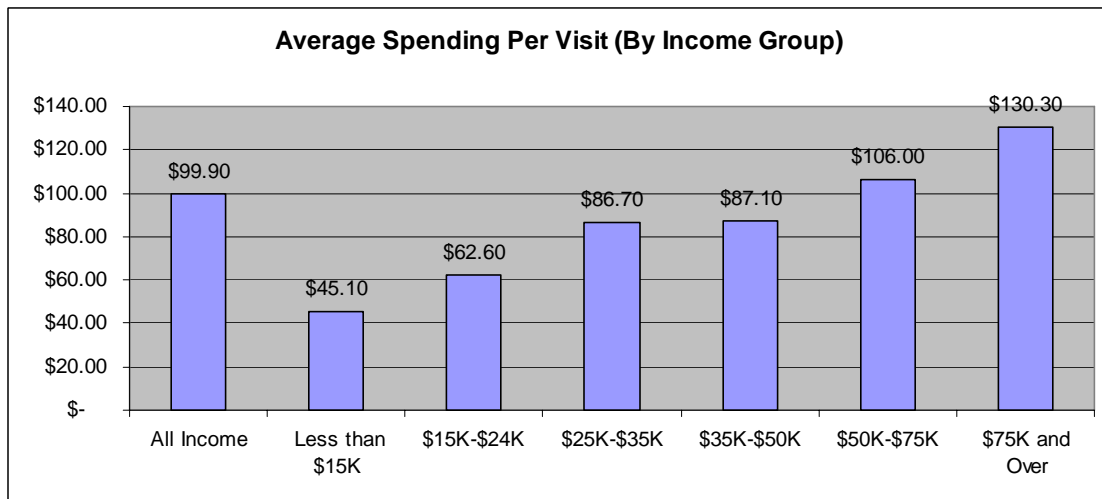
Selected Shopping Patterns						
	2000-01	2001-02	2003	2004	2005	2006
Average number of visits per month	3.40	3.3	3.20	2.90	2.90	2.90
Duration (in minutes)	78.10	75.1	82.20	82.20	80.60	77.20
<b>Purpose of Visit (% of shoppers)</b>						
General Shopping/Browsing	23.20%	23.40%	35.50%	38.80%	44.10%	39.50%
Specific Store Purchase	60.30%	58.80%	44.90%	38.90%	33.50%	39.00%
<b>Trip Duration by Purpose of Visit (minutes)</b>						
General Shopping/Browsing	85.10	N/A	90.80	87.90	88.50	86.80
Specific Store Purchase	68.80	N/A	71.40	74.60	71.40	69.30
<b>Total Spending Per Mall Visit</b>	\$ 75.10	\$ 71.90	\$ 83.30	\$ 83.60	\$ 90.90	\$ 99.90
Department Stores	\$ 35.90	\$ 34.10	\$ 36.00	\$ 42.50	\$ 44.70	\$ 45.10
Mall Shops	\$ 37.40	\$ 35.50	\$ 42.20	\$ 40.10	\$ 42.50	\$ 49.40
Restaurant/Food	\$ 4.70	\$ 4.10	\$ 5.90	\$ 5.40	\$ 5.30	\$ 8.40

Source: ICSC Research

- **Spending Trends:** General shoppers/browsers spent approximately \$104, a few dollars more than specific-purpose shoppers \$99.40. General shopping/browsing generated more impulse buying at mall shops---general shoppers spent on average \$54 compared to \$48 for specific purpose shoppers. Other trends include the following
  1. In 2006, approximately 15 percent left the mall without a purchase. This walk-out rate has held steady since 1996.
  2. The ages 35-44 spent the most per mall trip in 2006 or \$125.
  3. Women spent more than men, \$104 versus \$94 during a mall visit.
  4. Mall spending is correlated with household income. Those earning \$75,000 and over spent \$130.30 per mall trip, compared to \$45.10 for those earning less than \$15,000.

Selected Shopping Attributes by Gender						
	2000-01	2001-02	2003	2004	2005	2006
<b>MALES</b>						
% of Total Shoppers	37.00%	37.00%	39.00%	35.00%	36.00%	36.00%
Average number of visits per month	3.4	3.3	3.2	3.1	3.3	3.1
Duration (in minutes)	68.90	65.6	75.00	73.90	74.90	71.30
Total Spending Per Mall Visit	\$ 70.10	\$ 67.10	\$ 78.50	\$ 82.70	\$ 85.20	\$ 93.70
<b>FEMALES</b>						
% of Total Shoppers	63.00%	63.00%	61.00%	65.00%	64.00%	64.00%
Average number of visits per month	3.3	3.3	3.1	2.8	3.1	2.8
Duration (in minutes)	83.50	80.80	86.70	84.20	0.85	0.81
Total Spending Per Mall Visit	\$ 78.10	\$ 74.80	\$ 86.20	\$ 88.20	\$ 94.20	\$ 103.90

Source: ICSC Research



The tables that follow show retail sales volume within a one, three, and five mile radius of the proposed site and provide a potential capture rate scenario analysis based on the demographics of the market.

### TRADE AREA SALES VOLUME

Retail Sales Volume	1-mi.	3-mi.	5-mi.	Total
2006 Children/Infants Clothing Stores	\$ 1,797,912	\$ 17,429,137	\$ 37,974,315	\$ 57,201,364
2006 Jewelry Stores	\$ 822,548	\$ 6,964,946	\$ 14,987,028	\$ 22,774,522
2006 Mens Clothing Stores	\$ 3,474,721	\$ 29,926,592	\$ 59,125,067	\$ 92,526,380
2006 Shoe Stores	\$ 2,625,690	\$ 26,076,890	\$ 49,524,894	\$ 78,227,474
2006 Womens Clothing Stores	\$ 4,992,884	\$ 44,460,260	\$ 89,355,110	\$ 138,808,254
2006 Automobile Dealers	\$ 24,392,440	\$ 207,785,109	\$ 457,358,492	\$ 689,536,041
2006 Automotive Parts/Acc/Repair Stores	\$ 4,516,014	\$ 38,886,381	\$ 82,838,879	\$ 126,241,274
2006 Other Motor Vehicle Dealers	\$ 345,727	\$ 2,665,731	\$ 8,122,534	\$ 11,133,992
2006 Tire Dealers	\$ 1,036,956	\$ 8,855,004	\$ 19,197,818	\$ 29,089,778
2006 Hardware Stores	\$ 649,658	\$ 5,681,249	\$ 15,427,551	\$ 21,758,458
2006 Home Centers	\$ 3,573,520	\$ 34,216,368	\$ 94,320,314	\$ 132,110,202
2006 Nursery/Garden Centers	\$ 2,016,123	\$ 19,151,082	\$ 47,469,322	\$ 68,636,527
2006 Outdoor Power Equipment Stores	\$ 513,739	\$ 4,992,341	\$ 16,007,207	\$ 21,513,287
2006 Paint/Wallpaper Stores	\$ 240,008	\$ 3,230,608	\$ 8,010,130	\$ 11,480,746
2006 Appliance/TV/Other Electronics Stores	\$ 2,891,964	\$ 26,483,913	\$ 58,735,995	\$ 88,111,872
2006 Camera/Photographic Supplies Stores	\$ 511,396	\$ 4,025,713	\$ 9,031,442	\$ 13,568,551
2006 Computer/Software Stores	\$ 1,992,266	\$ 15,573,875	\$ 33,631,833	\$ 51,197,974
2006 Beer/Wine/Liquor Stores	\$ 2,930,943	\$ 24,602,075	\$ 47,211,732	\$ 74,744,750
2006 Convenience/Specialty Food Stores	\$ 2,684,850	\$ 21,975,980	\$ 45,299,451	\$ 69,960,281
2006 Restaurant Expenditures	\$ 11,628,245	\$ 94,593,780	\$ 198,519,372	\$ 304,741,397
2006 Supermarkets/Other Grocery excl Conv	\$ 26,182,970	\$ 240,100,657	\$ 487,770,299	\$ 754,053,926
2006 Furniture Stores	\$ 2,229,178	\$ 20,203,068	\$ 42,513,927	\$ 64,946,173
2006 Home Furnishings Stores	\$ 8,065,010	\$ 72,274,968	\$ 159,741,910	\$ 240,081,888
2006 Gen Merch/Appliance/Furniture Stores	\$ 36,326,750	\$ 323,474,982	\$ 674,166,233	\$ 1,033,967,965
2006 Gasoline Stations w/ Convenience Stores	\$ 12,194,439	\$ 102,677,780	\$ 219,137,199	\$ 334,009,418
2006 Other Gasoline Stations	\$ 9,509,588	\$ 80,701,800	\$ 173,837,747	\$ 264,049,135
2006 Department Stores excl Leased Depts	\$ 39,218,714	\$ 349,958,896	\$ 732,902,227	\$ 1,122,079,837
2006 General Merchandise Stores	\$ 34,097,572	\$ 303,271,914	\$ 631,652,307	\$ 969,021,793
2006 Other Health/Personal Care Stores	\$ 1,413,742	\$ 13,603,343	\$ 28,870,779	\$ 43,887,864
2006 Pharmacies/Drug Stores	\$ 11,400,812	\$ 107,111,085	\$ 223,741,023	\$ 342,252,920
2006 Pet/Pet Supplies Stores	\$ 1,697,970	\$ 13,756,251	\$ 34,560,653	\$ 50,014,874
2006 Book/Periodical/Music Stores	\$ 1,780,458	\$ 13,731,746	\$ 26,606,820	\$ 42,119,024
2006 Hobby/Toy/Game Stores	\$ 1,568,582	\$ 13,230,092	\$ 29,421,488	\$ 44,220,162
2006 Musical Instrument/Supplies Stores	\$ 183,246	\$ 1,264,175	\$ 2,518,405	\$ 3,965,826
2006 Sewing/Needlework/Piece Goods Stores	\$ 66,902	\$ 586,926	\$ 1,419,835	\$ 2,073,663
2006 Sporting Goods Stores	\$ 1,348,969	\$ 9,936,577	\$ 24,961,097	\$ 36,246,643
2006 Video Tape Stores - Retail	\$ 577,733	\$ 4,418,916	\$ 8,766,905	\$ 13,763,554
<b>TOTALS</b>	<b>\$ 261,500,239</b>	<b>\$ 2,307,880,210</b>	<b>\$ 4,894,737,340</b>	<b>\$ 7,464,117,789</b>

**TRADE AREA SALES VOLUME: AVERAGES PER HOUSEHOLD**

Retail Sales Average (Per Household)	1-mi.	3-mi.	5-mi.
2006 Children/Infants Clothing Stores	\$ 290	\$ 355	\$ 391
2006 Jewelry Stores	\$ 133	\$ 142	\$ 154
2006 Mens Clothing Stores	\$ 561	\$ 610	\$ 609
2006 Shoe Stores	\$ 424	\$ 532	\$ 510
2006 Womens Clothing Stores	\$ 806	\$ 907	\$ 921
2006 Automobile Dealers	\$ 3,940	\$ 4,238	\$ 4,712
2006 Automotive Parts/Acc/Repair Stores	\$ 729	\$ 793	\$ 853
2006 Other Motor Vehicle Dealers	\$ 56	\$ 54	\$ 84
2006 Tire Dealers	\$ 167	\$ 181	\$ 198
2006 Hardware Stores	\$ 105	\$ 116	\$ 159
2006 Home Centers	\$ 577	\$ 698	\$ 972
2006 Nursery/Garden Centers	\$ 326	\$ 391	\$ 489
2006 Outdoor Power Equipment Stores	\$ 83	\$ 102	\$ 165
2006 Paint/Wallpaper Stores	\$ 39	\$ 66	\$ 83
2006 Appliance/TV/Other Electronics Stores	\$ 467	\$ 540	\$ 605
2006 Camera/Photographic Supplies Stores	\$ 83	\$ 82	\$ 93
2006 Computer/Software Stores	\$ 322	\$ 318	\$ 346
2006 Beer/Wine/Liquor Stores	\$ 473	\$ 502	\$ 486
2006 Convenience/Specialty Food Stores	\$ 434	\$ 448	\$ 467
2006 Restaurant Expenditures	\$ 1,878	\$ 1,929	\$ 2,045
2006 Supermarkets/Other Grocery excl Conv	\$ 4,229	\$ 4,897	\$ 5,025
2006 Furniture Stores	\$ 360	\$ 412	\$ 438
2006 Home Furnishings Stores	\$ 1,303	\$ 1,474	\$ 1,646
2006 Gen Merch/Appliance/Furniture Stores	\$ 5,868	\$ 6,597	\$ 6,945
2006 Gasoline Stations w/ Convenience Stores	\$ 1,970	\$ 2,094	\$ 2,258
2006 Other Gasoline Stations	\$ 1,536	\$ 1,646	\$ 1,791
2006 Department Stores excl Leased Depts	\$ 6,335	\$ 7,137	\$ 7,550
2006 General Merchandise Stores	\$ 5,508	\$ 6,185	\$ 6,507
2006 Other Health/Personal Care Stores	\$ 228	\$ 277	\$ 297
2006 Pharmacies/Drug Stores	\$ 1,842	\$ 2,184	\$ 2,305
2006 Pet/Pet Supplies Stores	\$ 274	\$ 281	\$ 356
2006 Book/Periodical/Music Stores	\$ 288	\$ 280	\$ 274
2006 Hobby/Toy/Game Stores	\$ 253	\$ 270	\$ 303
2006 Musical Instrument/Supplies Stores	\$ 30	\$ 26	\$ 26
2006 Sewing/Needlework/Piece Goods Stores	\$ 11	\$ 12	\$ 15
2006 Sporting Goods Stores	\$ 218	\$ 203	\$ 257
2006 Video Tape Stores - Retail	\$ 93	\$ 90	\$ 90

**POTENTIAL MARKET CAPTURE FOR SELECT RETAIL SALES**

Retail Sales Volume	Sum of 1-mi.	Sum of 3-mi.	Sum of 5-mi.	TOTAL
2006 Beer/Wine/Liquor Stores	\$ 2,930,943	\$ 24,602,075	\$ 47,211,732	\$ 74,744,750
2006 Children/Infants Clothing Stores	1,797,912.00	17,429,137.00	37,974,315.00	57,201,364.00
2006 Convenience/Specialty Food Stores	2,684,850.00	21,975,980.00	45,299,451.00	69,960,281.00
2006 Department Stores excl Leased Depts	39,218,714.00	349,958,896.00	732,902,227.00	1,122,079,837.00
2006 Furniture Stores	2,229,178.00	20,203,068.00	42,513,927.00	64,946,173.00
2006 Gen Merch/Appliance/Furniture Stores	36,326,750.00	323,474,982.00	674,166,233.00	1,033,967,965.00
2006 General Merchandise Stores	34,097,572.00	303,271,914.00	631,652,307.00	969,021,793.00
2006 Home Furnishings Stores	8,065,010.00	72,274,968.00	159,741,910.00	240,081,888.00
2006 Mens Clothing Stores	3,474,721.00	29,926,592.00	59,125,067.00	92,526,380.00
2006 Nursery/Garden Centers	2,016,123.00	19,151,082.00	47,469,322.00	68,636,527.00
2006 Other Health/Personal Care Stores	1,413,742.00	13,603,343.00	28,870,779.00	43,887,864.00
2006 Pet/Pet Supplies Stores	1,697,970.00	13,756,251.00	34,560,653.00	50,014,874.00
2006 Restaurant Expenditures	11,628,245.00	94,593,780.00	198,519,372.00	304,741,397.00
2006 Shoe Stores	2,625,690.00	26,076,890.00	49,524,894.00	78,227,474.00
2006 Supermarkets/Other Grocery excl Conv	26,182,970.00	240,100,657.00	487,770,299.00	754,053,926.00
2006 Womens Clothing Stores	4,992,884.00	44,460,260.00	89,355,110.00	138,808,254.00
<b>Retail Sales Grand Total</b>	<b>\$ 181,383,274</b>	<b>\$ 1,614,859,875</b>	<b>\$ 3,366,657,598</b>	<b>\$ 4,191,811,093</b>

	POTENTIAL CAPTURE RATE SCENARIOS					
Retail Sales Volume	3.00%	4.00%	5.00%	6.00%	7.00%	7.25%
2006 Beer/Wine/Liquor Stores	\$ 2,242,343	\$ 2,989,790	\$ 3,737,238	\$ 4,484,685	\$ 5,232,133	\$ 5,418,994
2006 Children/Infants Clothing Stores	1,716,040.92	2,288,054.56	2,860,068.20	3,432,081.84	4,004,095.48	4,147,098.89
2006 Convenience/Specialty Food Stores	2,098,808.43	2,798,411.24	3,498,014.05	4,197,616.86	4,897,219.67	5,072,120.37
2006 Department Stores excl Leased Depts	33,662,395.11	44,883,193.48	56,103,991.85	67,324,790.22	78,545,588.59	81,350,788.18
2006 Furniture Stores	1,948,385.19	2,597,846.92	3,247,308.65	3,896,770.38	4,546,232.11	4,708,597.54
2006 Gen Merch/Appliance/Furniture Stores	31,019,038.95	41,358,718.60	51,698,398.25	62,038,077.90	72,377,757.55	74,962,677.46
2006 General Merchandise Stores	29,070,653.79	38,760,871.72	48,451,089.65	58,141,307.58	67,831,525.51	70,254,079.99
2006 Home Furnishings Stores	7,202,456.64	9,603,275.52	12,004,094.40	14,404,913.28	16,805,732.16	17,405,936.88
2006 Mens Clothing Stores	2,775,791.40	3,701,055.20	4,626,319.00	5,551,582.80	6,476,846.60	6,708,162.55
2006 Nursery/Garden Centers	2,059,095.81	2,745,461.08	3,431,826.35	4,118,191.62	4,804,556.89	4,976,148.21
2006 Other Health/Personal Care Stores	1,316,635.92	1,755,514.56	2,194,393.20	2,633,271.84	3,072,150.48	3,181,870.14
2006 Pet/Pet Supplies Stores	1,500,446.22	2,000,594.96	2,500,743.70	3,000,892.44	3,501,041.18	3,626,078.37
2006 Restaurant Expenditures	9,142,241.91	12,189,655.88	15,237,069.85	18,284,483.82	21,331,897.79	22,093,751.28
2006 Shoe Stores	2,346,824.22	3,129,098.96	3,911,373.70	4,693,648.44	5,475,923.18	5,671,491.87
2006 Supermarkets/Other Grocery excl Conv	22,621,617.78	30,162,157.04	37,702,696.30	45,243,235.56	52,783,774.82	54,668,909.64
2006 Womens Clothing Stores	4,164,247.62	5,552,330.16	6,940,412.70	8,328,495.24	9,716,577.78	10,063,598.42
<b>Retail Sales Grand Total</b>	<b>\$ 125,754,333</b>	<b>\$ 167,672,444</b>	<b>\$ 209,590,555</b>	<b>\$ 251,508,666</b>	<b>\$ 293,426,777</b>	<b>\$ 303,906,304</b>

Thus, based on the demographic data, retail sales are leaking to other areas and there is an unmet need for retail and an opportunity for retail development on the site.



## PROJECT FINANCE AND INVESTMENT ANALYSIS

### PROJECT OVERVIEW

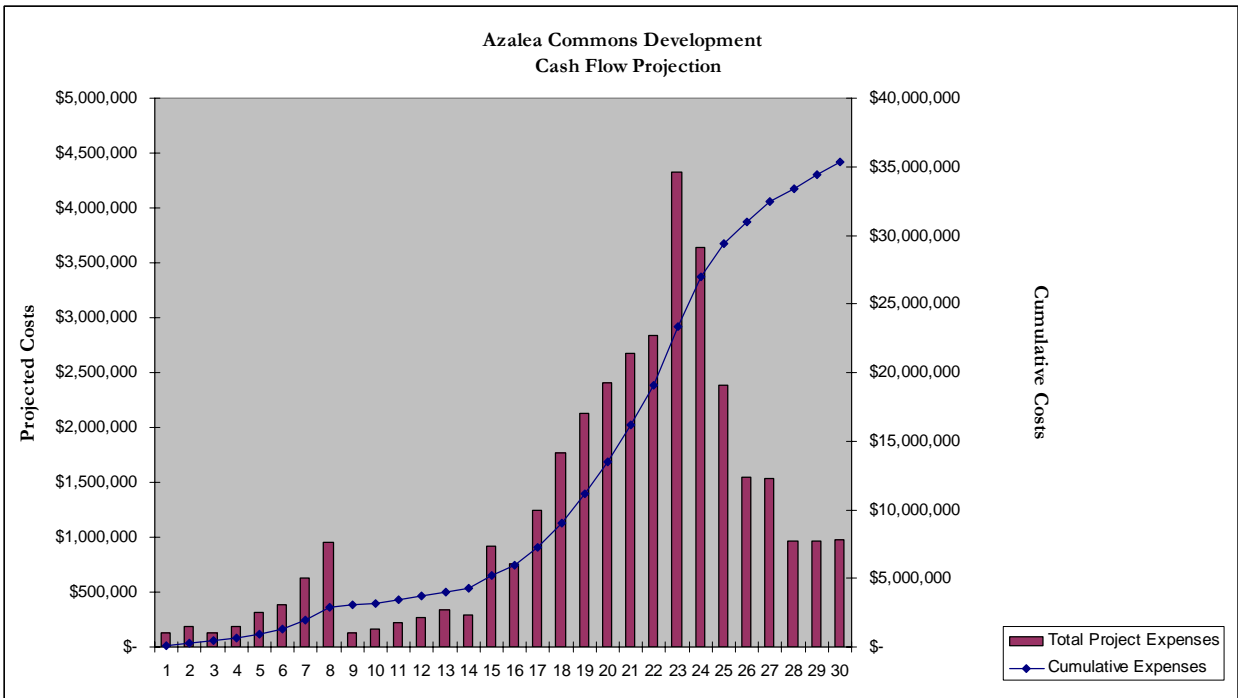
Project is for the development of 205,555 gross square feet with 800 parking spaces on the 30 acre site. Total development costs are estimated to be \$35.390 million or \$172 per square foot.

SOURCES & USES			
<b>Sources:</b>		<b>Uses:</b>	
Construction Loan	\$ 27,312,653	Site Improvements	\$ 1,627,996
County Grant	\$ 500,000	Hard Costs/Construction	\$ 27,439,968
Equity	\$ 7,578,163	Soft Costs	\$ 6,322,852
<b>Totals</b>	<b>\$ 35,390,816</b>	<b>Totals</b>	<b>\$ 35,390,816</b>

- PROJECT DEVELOPMENT BUDGET:** The current project budget is \$35.390 million and includes \$1.627 million for site costs, \$27.439 million for hard costs and \$6.322 million for soft costs. Planned construction completion is Fall 2010 with occupancy in December 2010.
- FINANCING REQUIREMENTS:** A construction loan in the amount of **\$27.312** Million is required. Since the site is in an enterprise zone, Henrico County is providing an Enterprise Zone Grant in the amount of \$500K for sitework and landscaping improvements. Equity requirements are \$7.5 million from the Gladstone family. Land is currently owned by the family and is reflected as a sunk cost and for the purposes of this project not reflected as a project costs. Value of land is approximately \$11.1 million and when this is factored in as a cost, the construction loan-to-cost value would be approximately 60 percent.
- PERMANENT LOAN:** Take-out loan amount and fees and accrued interest is **\$29.012** million.
- FINANCIAL MODELING ASSUMPTIONS:** The proforma assumptions for the 12 year investment horizon include the following: (1). All leases are triple net; (2). Rent escalation of 3.5 percent; (4) Vacancy rate of 8 percent; (5). Because the site is in an enterprise zone there will be no real estate taxes until 2015. After 2015 the Project will pay taxes on its assessed value. (6) Mortgage of \$29.012M for a term of 30 years at a rate of 8 percent.

## AZALEA COMMONS PROJECT BUDGET

	Original Planned Project Costs			
	Budget	Cost/sq.ft.	% of Const.	% of Total
<b>I. LAND &amp; SITE IMPROVEMENTS:</b>				
Site Acquisition Cost		\$ -		0.00%
Excavation & Paving	\$ 162,800	\$ 0.79		0.46%
Water & Sewer	\$ 244,199	\$ 1.19		0.69%
Paving	\$ 325,599	\$ 1.58		0.92%
Curbs/Sidewalks	\$ 488,399	\$ 2.38		1.38%
Landscaping	\$ 406,999	\$ 1.98		1.15%
<b>Total Land &amp; Site Improvements</b>	<b>1,627,995.60</b>	<b>7.92</b>	<b>0%</b>	<b>5%</b>
<b>II. CONSTRUCTION COSTS</b>				
<b>Hard Costs:</b>				
Concrete	\$ 1,139,597	\$ 5.54	4.15%	3.22%
Masonry	\$ 1,302,396	\$ 6.34	4.75%	3.68%
Metals	\$ 1,953,595	\$ 9.50	7.12%	5.52%
Carpentry & Millwork	\$ 1,302,396	\$ 6.34	4.75%	3.68%
Moisture Protection	\$ 1,627,996	\$ 7.92	5.93%	4.60%
Doors & Windows	\$ 2,441,993	\$ 11.88	8.90%	6.90%
Finishes	\$ 3,581,590	\$ 17.42	13.05%	10.12%
Specialties (Sprinklers)	\$ 488,399	\$ 2.38	1.78%	1.38%
Equipment	\$ 325,599	\$ 1.58	1.19%	0.92%
Furnishings	\$ 488,399	\$ 2.38	1.78%	1.38%
Special Construction (Controls)	\$ 569,798	\$ 2.77	2.08%	1.61%
Conveying Systems	\$ 488,399	\$ 2.38	1.78%	1.38%
Mechanical	\$ 4,069,989	\$ 19.80	14.83%	11.50%
Electrical	\$ 3,255,991	\$ 15.84	11.87%	9.20%
<b>Subtotal</b>	<b>\$23,036,138</b>	<b>\$ 112.07</b>	<b>83.95%</b>	<b>65.09%</b>
General Requirements	1,151,807	\$ 5.60	4.20%	3.25%
GMP Contingency Change Orders	2,303,614	\$ 11.21	8.40%	6.51%
Construction Utility Expense	50,000	\$ 0.24	0.18%	0.14%
Liability Insurance	322,506	\$ 1.57	1.18%	0.91%
CM Fee	575,903	\$ 2.80	2.10%	1.63%
<b>SUBTOTAL CONSTRUCTION</b>	<b>\$27,439,968</b>	<b>\$ 133.49</b>	<b>100.00%</b>	<b>12.44%</b>
<b>III. SOFT COSTS</b>				
Architect & Engineering Fee	\$ 352,000	\$ 1.71	1.28%	0.99%
Engineering Fees & Survey	\$ 325,599	\$ 1.58	1.19%	0.92%
Erosion Control Fee	\$ 264,000	\$ 1.28	0.96%	0.75%
Site Plan Submission	\$ 205,130	\$ 1.00	0.75%	0.58%
Water & Sewer Hook-up Fee	\$ 352,000	\$ 1.71	1.28%	0.99%
Building Permit/Site Permit	\$ 325,599	\$ 1.58	1.19%	0.92%
Performance & Payment Bond	\$ 205,130	\$ 1.00	0.75%	0.58%
Appraisal	\$ 131,835	\$ 0.64	0.48%	0.37%
Phase I Environmental Study	\$ 75,000	\$ 0.36	0.27%	0.21%
Soil Borings & Testing	\$ 235,000	\$ 1.14	0.86%	0.66%
Legal Fees	\$ 200,000	\$ 0.97	0.73%	0.57%
Lender Plan Cost Review	\$ 25,000	\$ 0.12	0.09%	0.07%
Contingency (Soft Costs)	\$ 1,356,700	\$ 6.60	4.94%	3.83%
Lender Engineering Inspection	\$ 65,120	\$ 0.32	0.24%	0.18%
Leasing Commissions	\$ 1,107,140	\$ 5.39	4.03%	3.13%
Developers Fee	\$ 1,097,600	\$ 5.34	4.00%	3.10%
<b>SUBTOTAL SOFT COSTS</b>	<b>6,322,853</b>	<b>31</b>	<b>23%</b>	<b>17.87%</b>
<b>TOTAL PROJECT COST</b>	<b>\$ 35,390,816</b>	<b>\$ 172.17</b>	<b>123%</b>	<b>35%</b>

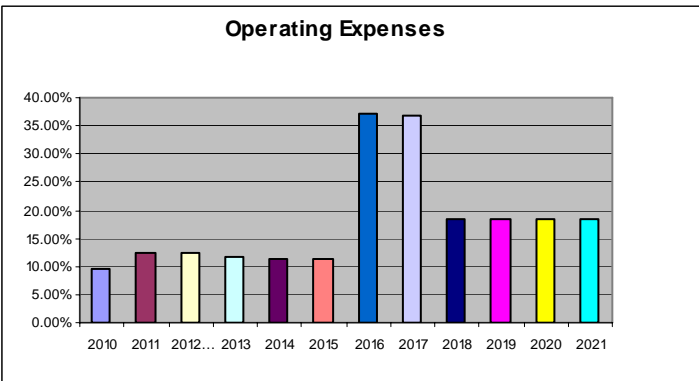


**PROJECT OPERATING PERFORMANCE**

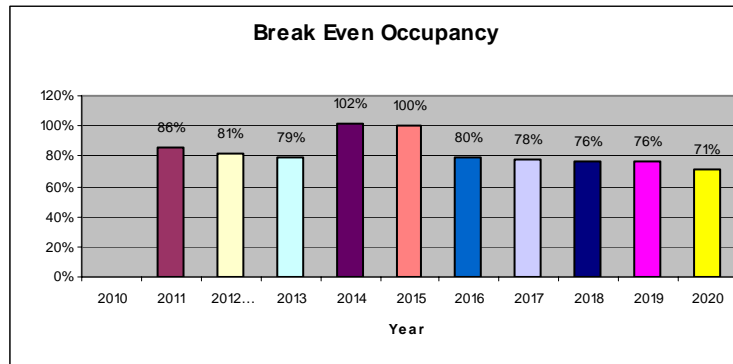
The section below provides a finance and investment analysis of the project over the 12 year horizon. NOI stabilization is reached in the third year or late 2012/2013.

**Operating Performance Analysis:**

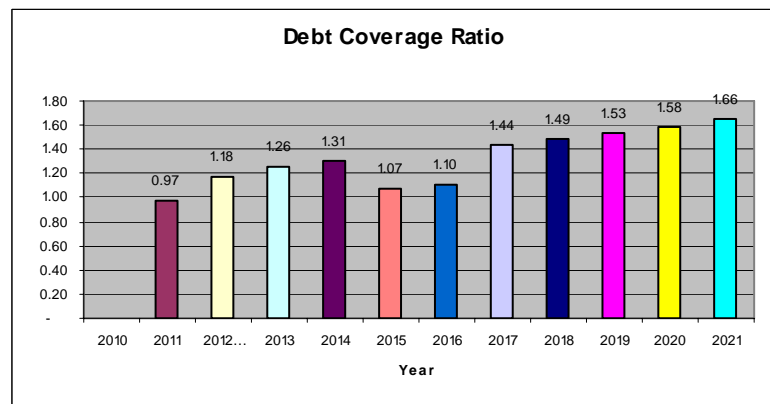
- Operating Expenses:**  
Operating expenses are 12.46 percent of Potential Gross income at stabilized NOI. The expenditure spikes in 2016-2017 reflect costs associated with lease renewals or new leases. Approximately 118,000 square feet will be up for renewal during that time.



- **Occupancy/Vacancy:** The break even occupancy is 86 percent or 159,100 rentable square feet (rsf). The proforma assumes a vacancy rate of 8 percent or occupancy of 92 percent over the investment horizon. These metrics are favorable given the break even occupancy rate of 86 percent and the unmet need for retail space in this market.



- **Financing:** The loan to value is 60 percent. Redevelopment should increase the land value which bodes well for the remaining 20.94 acres that are reserved for future development for mixed use development opportunities. The debt coverage ratio (DCR) in 2012 is 1.18X and has the capacity to meet the lender required DCR of 1.20X after the NOI is stabilized in 2013.



- **Lease-up/Renewal Risk:** Approximately 118,000 square feet of space is up for renewal in 2016-2017. Proforma reflects this risk as shown above in the graphs. Proforma reflects blended cost for new tenants and/or renewals with costs for tenant improvements allowances and down time for non-renewals.

### Financial Analysis:

- **NPV:** The NPV of the project is **\$7,430,340** and represents the net cash flows discounted at **12 percent** based on the assumptions for revenue and expenses.
- **IRR is 19.35 percent** which is greater than the assumed discount rate
- Terminal Cap Rate: 5.5 percent.

- Profitability Index: 98.05 percent (Benefit-cost ratio that measures the present value return per dollar invested).

**Proforma Scenario Analysis with  
Changes to Discount Rate, Terminal Cap Rate and Vacancy Rates**

	DISCOUNT RATE		TERMINAL CAP RATE			VACANCY RATE		
	K	NPV	Rate	NPV	IRR	Rate	NPV	IRR
<b>BEFORE TAX CASH FLOWS 12 YEAR INVESTMENT HORIZON</b>								
<i>Proforma Baseline</i>	12.00%	\$ 7,430,340.03	5.50%	\$ 7,430,340.03	19.35%	-8.00%	\$ 7,430,340.03	19.35%
High	20.00%	\$ (420,073.51)	12.00%	\$ (277,429.88)	11.58%	-15.00%	\$ 5,186,773.03	17.33%
Medium	15.00%	\$ 3,679,528.81	8.50%	\$ 2,408,082.72	15.03%	-10.00%	\$ 6,789,320.89	18.79%
Low	7.00%	\$ 17,317,024.68	4.00%	\$ 12,766,488.43	22.53%	-3.00%	\$ 9,032,887.88	20.72%

### INVESTMENT ANALYSIS

The table above provides a sensitivity analysis of the Project with changes in the hurdle (discount) rate, cap rate, and vacancy. The NPV is positive at a required rate of return that is less than 20 percent. Thus, investment in this project provides a stable cash flow based on the pro forma assumptions as stated earlier and a positive return assuming a 12 percent required rate for return. Secondly, investment performance of this project in comparison to current returns of other investment classes (What's Hot-and Not, April 13, 2008), which are not currently favorable (with the exception of commodities), indicates that this investment would provide hedge against inflation and the current market volatility of equities and fixed income instruments.

### What's Hot - and Not How different investments did last week.

INVESTMENT	PERFORMANCE	
	Last week	52-week
Crude oil	3.7%	73.1%
Commodity futures	2.2	20.0
Gold	1.6	34.8
Emerging-markets stocks*	1.2	19.6
Emerging-markets bonds	0.7	6.0
U.S. investment-grade bonds	0.4	3.9
U.S. corporate junk bonds	0.3	-2.1
U.S. dollar, trade weighted	unch.	-9.8
Global stocks	-1.8%	-4.7
Dow Jones Industrial Average	-2.3	-2.3
European stocks	-2.6	-18.9
S&P 500-stock index	-2.7	-8.3
Nasdaq Composite Index	-3.4	-8.1
Russell 2000 (small stocks)	-3.6	-16.0
REIT stocks	-4.0	-16.4

Notes on data: European stocks: Dow Jones Stoxx Index; emerging-markets-stocks: MSCI price index for free markets; corporate-bond prices: Merrill Lynch Global Bond Indexes; U.S. dollar and U.S. Treasuries: J.P. Morgan; REIT stocks: Dow Jones Equity REIT Total Return Index; emerging-markets bonds: J.P. Morgan EMBI-plus price index, in U.S.-dollar terms; commodity futures: Dow Jones-AIG Commodity Index; global stocks: Dow Jones World Stock Index \*Data as of Thursday, April, 10, 2008.

Sources: WSJ Market Data Group; Dow Jones Indexes; Reuters; Merrill Lynch

**Project Investment Analysis: Baseline Assumptions**

Project Leasing Plan								
Tenant	Rentable SF	% of Total	Rate \$/SF	First Year Rent	Escl.	Term (Years)	Comm. Date	Exp. Date
101-Ben & Jerry	2,500.00	1.35%	\$ 25.00	\$ 62,500.00	3.50%	5	3/15/2011	3/13/2016
102-Deli Shop	3,000.00	1.62%	\$ 25.00	\$ 75,000.00	3.50%	5	1/10/2011	1/9/2016
103-National Bank	5,000.00	2.70%	\$ 15.00	\$ 75,000.00	3.50%	5	12/1/2010	11/30/2015
104-Optermistris/Eye Care	5,000.00	2.70%	\$ 15.00	\$ 75,000.00	3.50%	5	4/1/2011	3/30/2016
105-Panera Bread	7,000.00	3.78%	\$ 15.00	\$ 105,000.00	3.50%	10	12/1/2010	11/28/2020
106-Restarunt National Chain	7,000.00	3.78%	\$ 15.00	\$ 105,000.00	3.50%	5	2/15/2011	2/14/2016
107-Restarunt Local	7,000.00	3.78%	\$ 15.00	\$ 105,000.00	3.50%	5	3/15/2011	3/13/2016
108-Retail Shop Store No. One	6,500.00	3.51%	\$ 18.00	\$ 117,000.00	3.50%	5	12/1/2010	11/30/2015
109-Retail Shop Store No. Two	8,000.00	4.32%	\$ 18.00	\$ 144,000.00	3.50%	5	5/1/2011	4/29/2016
110-Retail Shop No. Three	5,000.00	2.70%	\$ 20.00	\$ 100,000.00	3.50%	5	6/1/2011	5/30/2016
111-Retail Shop No. Four	8,000.00	4.32%	\$ 20.00	\$ 160,000.00	3.50%	5	12/1/2010	11/30/2015
112-Retail Shop No. Five	8,000.00	4.32%	\$ 25.00	\$ 200,000.00	3.50%	5	8/1/2011	7/30/2016
113-Retail Shop No. Six	8,000.00	4.32%	\$ 25.00	\$ 200,000.00	3.50%	5	9/1/2011	8/30/2016
114-Decorating	10,000.00	5.41%	\$ 20.00	\$ 200,000.00	3.50%	5	12/10/2010	12/9/2015
115-Card Store	10,000.00	5.41%	\$ 20.00	\$ 200,000.00	3.50%	5	3/15/2011	3/13/2016
116-Pet Supply	10,000.00	5.41%	\$ 20.00	\$ 200,000.00	3.50%	5	2/15/2011	2/14/2016
117-Trader Joes	15,000.00	8.11%	\$ 15.00	\$ 225,000.00	3.50%	10	12/1/2010	11/28/2020
118-Card Store	15,000.00	8.11%	\$ 20.00	\$ 300,000.00	3.50%	5	12/10/2010	12/9/2015
119-Gym	20,000.00	10.81%	\$ 15.00	\$ 300,000.00	3.50%	10	12/1/2010	11/28/2020
120-Dicks Sporting Goods	25,000.00	13.51%	\$ 15.00	\$ 375,000.00	3.50%	10	12/1/2010	11/28/2020
<b>Total Rentalbe Sq. Ft.</b>	<b>185,000.00</b>	<b>100.00%</b>		<b>3,323,500.00</b>	<b>3.50%</b>			



**Azalea Commons Pro Forma**  
(Dollars in Millions)

Tenant	T <sub>O</sub>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
101-Ben & Jerry		\$0.000	\$0.050	\$0.064	\$0.063	\$0.063	\$0.065	\$0.066	\$0.067	\$0.069	\$0.070	\$0.071	\$0.073	\$0.721
102-Deli Shop		\$0.000	\$0.073	\$0.078	\$0.080	\$0.083	\$0.086	\$0.089	\$0.092	\$0.095	\$0.099	\$0.102	\$0.106	\$0.983
103-National Bank		\$0.006	\$0.075	\$0.078	\$0.081	\$0.083	\$0.086	\$0.089	\$0.092	\$0.096	\$0.099	\$0.103	\$0.106	\$0.994
104-Optermistrist/Eye Care		\$0.000	\$0.056	\$0.077	\$0.080	\$0.082	\$0.085	\$0.088	\$0.091	\$0.095	\$0.098	\$0.101	\$0.105	\$0.959
105-Panera Bread		\$0.008	\$0.105	\$0.109	\$0.113	\$0.117	\$0.121	\$0.125	\$0.129	\$0.134	\$0.139	\$0.144	\$0.149	\$1.392
106-Restaurant National Chain		\$0.000	\$0.092	\$0.108	\$0.175	\$0.191	\$0.195	\$0.199	\$0.203	\$0.207	\$0.211	\$0.215	\$0.229	\$2.026
107-Restaurant Local		\$0.000	\$0.084	\$0.108	\$0.112	\$0.116	\$0.120	\$0.124	\$0.128	\$0.133	\$0.137	\$0.142	\$0.147	\$1.350
108-Retail Shop Store No. One		\$0.009	\$0.117	\$0.121	\$0.126	\$0.130	\$0.135	\$0.139	\$0.144	\$0.149	\$0.154	\$0.160	\$0.165	\$1.551
109-Retail Shop Store No. Two		\$0.000	\$0.096	\$0.147	\$0.183	\$0.202	\$0.206	\$0.211	\$0.215	\$0.219	\$0.223	\$0.228	\$0.233	\$2.164
110-Retail Shop No. Three		\$0.000	\$0.058	\$0.102	\$0.106	\$0.109	\$0.113	\$0.117	\$0.121	\$0.125	\$0.130	\$0.134	\$0.139	\$1.255
111-Retail Shop No. Four		\$0.013	\$0.160	\$0.166	\$0.172	\$0.178	\$0.184	\$0.191	\$0.197	\$0.204	\$0.211	\$0.219	\$0.226	\$2.121
112-Retail Shop No. Five		\$0.000	\$0.083	\$0.203	\$0.204	\$0.201	\$0.205	\$0.210	\$0.214	\$0.218	\$0.222	\$0.227	\$0.231	\$2.219
113-Retail Shop No. Six		\$0.000	\$0.066	\$0.202	\$0.209	\$0.217	\$0.224	\$0.232	\$0.240	\$0.249	\$0.257	\$0.266	\$0.276	\$2.440
114-Decorating		\$0.016	\$0.201	\$0.208	\$0.215	\$0.222	\$0.230	\$0.238	\$0.247	\$0.255	\$0.264	\$0.273	\$0.283	\$2.652
115-Card Store		\$0.000	\$0.159	\$0.206	\$0.241	\$0.254	\$0.259	\$0.264	\$0.269	\$0.275	\$0.280	\$0.286	\$0.159	\$2.651
116-Pet Supply		\$0.000	\$0.175	\$0.206	\$0.213	\$0.221	\$0.229	\$0.237	\$0.245	\$0.253	\$0.262	\$0.271	\$0.281	\$2.593
117-Trader Joes		\$0.018	\$0.226	\$0.234	\$0.242	\$0.250	\$0.259	\$0.268	\$0.277	\$0.287	\$0.297	\$0.308	\$0.318	\$2.983
118-Card Store		\$0.024	\$0.301	\$0.311	\$0.322	\$0.334	\$0.345	\$0.357	\$0.370	\$0.383	\$0.396	\$0.410	\$0.424	\$3.977
119-Gym		\$0.024	\$0.301	\$0.311	\$0.322	\$0.334	\$0.345	\$0.357	\$0.370	\$0.383	\$0.396	\$0.410	\$0.424	\$3.977
120-Dicks Sporting Goods		\$0.030	\$0.376	\$0.389	\$0.403	\$0.417	\$0.432	\$0.447	\$0.462	\$0.478	\$0.495	\$0.513	\$0.530	\$4.972
<b>POTENTIAL GROSS INCOME</b>		<b>\$0.150</b>	<b>\$2.857</b>	<b>\$3.431</b>	<b>\$3.662</b>	<b>\$3.807</b>	<b>\$3.926</b>	<b>\$4.050</b>	<b>\$4.177</b>	<b>\$4.309</b>	<b>\$4.445</b>	<b>\$4.585</b>	<b>\$4.608</b>	<b>\$43.981</b>
Vacancy/Credit		(\$0.12)	(\$2.29)	(\$2.74)	(\$2.93)	(\$3.05)	(\$3.14)	(\$3.24)	(\$3.34)	(\$3.45)	(\$3.56)	(\$3.67)	(\$3.69)	(\$3.52)
Tenant Reimbursements:														
Operating Expenses		\$0.004	\$0.071	\$0.086	\$0.092	\$0.095	\$0.098	\$0.101	\$0.104	\$0.108	\$0.111	\$0.115	\$0.115	\$1.100
Property Taxes							\$0.277	\$0.286	\$0.294	\$0.303	\$0.312	\$0.322	\$0.331	\$2.126
Management Fees/CAM		\$0.007	\$0.143	\$0.172	\$0.183	\$0.190	\$0.196	\$0.202	\$0.209	\$0.215	\$0.222	\$0.229	\$0.230	\$2.200
<b>EFFECTIVE GROSS INCOME</b>		<b>\$0.149</b>	<b>\$2.843</b>	<b>\$3.413</b>	<b>\$3.644</b>	<b>\$3.788</b>	<b>\$4.184</b>	<b>\$4.315</b>	<b>\$4.451</b>	<b>\$4.590</b>	<b>\$4.735</b>	<b>\$4.884</b>	<b>\$4.916</b>	<b>\$45.888</b>
<b>Operating Expenses</b>														
Management Fees/CAM		\$0.007	\$0.143	\$0.172	\$0.183	\$0.190	\$0.196	\$0.202	\$0.209	\$0.215	\$0.222	\$0.229	\$0.230	\$2.200
Down Time							\$0.459	\$0.475						\$0.934
Turnover Cost							\$0.272	\$0.272						\$0.544
Property Taxes							\$0.277	\$0.286	\$0.294	\$0.303	\$0.312	\$0.322	\$0.331	\$2.126
Capital Reserves			\$0.139	\$0.139	\$0.143	\$0.147	\$0.152	\$0.156	\$0.161	\$0.166	\$0.171	\$0.176		\$1.548
Property Insurance		\$0.003	\$0.003	\$0.003	\$0.003	\$0.003	\$0.003	\$0.004	\$0.004	\$0.004	\$0.004	\$0.004	\$0.004	\$0.042
Operating Expenses		\$0.004	\$0.071	\$0.086	\$0.092	\$0.095	\$0.098	\$0.101	\$0.104	\$0.108	\$0.111	\$0.115	\$0.115	\$1.100
Total Expenses		\$0.014	\$0.356	\$0.399	\$0.421	\$0.436	\$1.458	\$1.496	\$0.772	\$0.796	\$0.820	\$0.845	\$0.681	\$8.495
<b>NET OPERATING INCOME</b>		<b>\$0.135</b>	<b>\$2.487</b>	<b>\$3.014</b>	<b>\$3.223</b>	<b>\$3.352</b>	<b>\$2.726</b>	<b>\$2.819</b>	<b>\$3.678</b>	<b>\$3.795</b>	<b>\$3.915</b>	<b>\$4.039</b>	<b>\$4.235</b>	<b>\$37.393</b>
<b>Adjustments:</b>														
+Financing			\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$28.100
-Leasing Commissions							\$0.048	\$0.048						\$0.096
Subtotal		\$0.000	\$2.555	\$2.555	\$2.555	\$2.555	\$2.603	\$2.603	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$28.197
<b>BEFORE TAX CASH FLOW</b>		<b>\$0.135</b>	<b>(67,787)</b>	<b>\$0.460</b>	<b>\$0.669</b>	<b>\$0.797</b>	<b>\$0.124</b>	<b>\$0.216</b>	<b>\$1.124</b>	<b>\$1.240</b>	<b>\$1.360</b>	<b>\$1.484</b>	<b>\$1.680</b>	<b>\$9.196</b>
<b>Debt Service/Amortization in Millions</b>														
Remaining loan balance:		\$29.012	\$28.770	\$28.507	\$28.223	\$27.915	\$27.582	\$27.221	\$26.830	\$26.406	\$25.947	\$25.451	\$24.913	
Interest Expense			\$2.312	\$2.292	\$2.270	\$2.247	\$2.221	\$2.193	\$2.164	\$2.131	\$2.096	\$2.058	\$2.017	
Principal Payments			\$0.242	\$0.262	\$0.284	\$0.308	\$0.333	\$0.361	\$0.391	\$0.423	\$0.459	\$0.497	\$0.538	
Mortgage payment			\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	\$2.555	
<b>Taxable Income Expenditures</b>														
Interest Expense		\$0.000	\$2.312	\$2.292	\$2.270	\$2.247	\$2.221	\$2.193	\$2.164	\$2.131	\$2.096	\$2.058	\$2.017	\$24.001
-Depreciation		\$0.080	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$0.954	\$10.574
Total Adjustments		\$0.080	\$3.266	\$3.246	\$3.224	\$3.201	\$3.175	\$3.148	\$3.118	\$3.085	\$3.050	\$3.012	\$2.971	\$34.575
Taxable Income		\$0.055	(\$3.334)	(\$2.786)	(\$2.556)	(\$2.404)	(\$3.052)	(\$2.931)	(\$1.994)	(\$1.845)	(\$1.69)	(\$1.528)	(\$1.29)	(\$25.354)
Income Tax Payable @		\$0.015	(\$934)	(\$78)	(\$716)	(\$673)	(\$854)	(\$821)	(\$558)	(\$517)	(\$473)	(\$428)	(\$361)	(\$7,099)
														\$16.296
Equity Investment		(\$7.578)												
Net Cash from Sale													\$44.338	\$44.338
<b>TOTALS</b>		<b>(\$7.578)</b>	<b>\$0.135</b>	<b>(\$1,068)</b>	<b>\$0.460</b>	<b>\$0.669</b>	<b>\$0.797</b>	<b>\$0.124</b>	<b>\$0.216</b>	<b>\$1.124</b>	<b>\$1.240</b>	<b>\$1.360</b>	<b>\$1.484</b>	<b>\$53.559</b>

Tenant	T <sub>O</sub>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
<b>PRO FORMA DISTRIBUTIONS</b>														
<b>Distribution of Before Tax Cash Flow:</b>														
General Partners		\$0.007	(3,389)	\$0.023	\$0.033	\$0.040	\$0.006	\$0.011	\$0.056	\$0.062	\$0.068	\$0.074	\$0.084	\$0.461
<b>Limited Partners:</b>														
Michael Gladstone		\$0.037	(18,641)	\$0.126	\$0.184	\$0.219	\$0.034	\$0.060	\$0.309	\$0.341	\$0.374	\$0.408	\$0.462	\$2.536
John Gladstone III		\$0.037	(18,641)	\$0.126	\$0.184	\$0.219	\$0.034	\$0.060	\$0.309	\$0.341	\$0.374	\$0.408	\$0.462	\$2.536
Geunivere		\$0.034	(16,947)	\$0.115	\$0.167	\$0.199	\$0.031	\$0.054	\$0.281	\$0.310	\$0.340	\$0.371	\$0.420	\$2.305
John Gladstone JR.		\$0.020	(10,168)	\$0.069	\$0.100	\$0.120	\$0.019	\$0.032	\$0.169	\$0.186	\$0.204	\$0.223	\$0.252	\$1.383
<b>Totals</b>		<b>\$0.135</b>	<b>(67,787)</b>	<b>\$0.460</b>	<b>\$0.669</b>	<b>\$0.797</b>	<b>\$0.124</b>	<b>\$0.216</b>	<b>\$1.124</b>	<b>\$1.240</b>	<b>\$1.360</b>	<b>\$1.484</b>	<b>\$1.680</b>	<b>\$9.221</b>
<b>Distribution of Taxable Income:</b>														
General Partners		\$0.003	(\$167)	(\$139)	(\$128)	(\$12)	(\$153)	(\$147)	(\$1)	(\$092)	(\$084)	(\$076)	(\$065)	(\$1,268)
<b>Limited Partners:</b>														
Michael Gladstone		\$0.015	(\$917)	(\$766)	(\$703)	(\$661)	(\$839)	(\$806)	(\$548)	(\$507)	(\$465)	(\$42)	(\$355)	(\$6,972)
John Gladstone III		\$0.015	(\$917)	(\$766)	(\$703)	(\$661)	(\$839)	(\$806)	(\$548)	(\$507)	(\$465)	(\$42)	(\$355)	(\$6,972)
Geunivere		\$0.014	(\$834)	(\$697)	(\$639)	(\$601)	(\$763)	(\$733)	(\$498)	(\$461)	(\$422)	(\$382)	(\$323)	(\$6,339)
John Gladstone JR.		\$0.008	(\$5)	(\$418)	(\$383)	(\$361)	(\$458)	(\$44)	(\$299)	(\$277)	(\$253)	(\$229)	(\$194)	(\$3,803)
<b>Totals</b>		<b>\$0.055</b>	<b>(\$3,334)</b>	<b>(\$2,786)</b>	<b>(\$2,556)</b>	<b>(\$2,404)</b>	<b>(\$3,052)</b>	<b>(\$2,931)</b>	<b>(\$1,994)</b>	<b>(\$1,845)</b>	<b>(\$1,69)</b>	<b>(\$1,528)</b>	<b>(\$1,29)</b>	<b>(\$25,354)</b>

<b>DISTRIBUTION OF TAXABLE GAIN FROM SALE:</b>	
General Partners	\$1,383
<b>Limited Partners:</b>	
Michael Gladstone	\$7,609
John Gladstone III	\$7,609
Geunivere	\$6,917
John Gladstone JR.	\$4,150
<b>Totals</b>	<b>\$27,669</b>

<b>CAPITAL ACCOUNTS PRIOR TO DISTRIBUTION OF CASH FLOW FROM SALE</b>														
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
<b>LIMITED PARTNERS</b>														
<b>Equity</b>	\$7.199													
Plus: Income		\$0.052	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
Less: Loss		\$0.000	(\$3.167)	(\$2.647)	(\$2.428)	(\$2.283)	(\$2.899)	(\$2.785)	(\$1.894)	(\$1.753)	(\$1.605)	(\$1.451)	(\$1.226)	(\$24.139)
Plus: Gain from Sale														\$26.285
Less: Cash Distribution		(\$1.28)	\$0.064	(\$437)	(\$635)	(\$757)	(\$117)	(\$206)	(\$1,068)	(\$1,178)	(\$1,292)	(\$1.41)	(\$1,596)	(\$8.76)
Total for Year	\$7.199	(\$0.76)	(\$3.103)	(\$3.084)	(\$3.063)	(\$3.041)	(\$3.016)	(\$2.99)	(\$2,962)	(\$2,931)	(\$2,897)	(\$2,861)	\$23.463	(\$6.613)
<b>Balance</b>		<b>\$7.124</b>	<b>(\$3.178)</b>	<b>(\$6.187)</b>	<b>(\$6.147)</b>	<b>(\$6.104)</b>	<b>(\$6.057)</b>	<b>(\$6.007)</b>	<b>(\$5.952)</b>	<b>(\$5.893)</b>	<b>(\$5.828)</b>	<b>(\$5.759)</b>	<b>\$20.602</b>	
<b>GENERAL PARTNER</b>														
<b>Equity</b>	\$0.379													
Plus: Income		\$0.003	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.003
Less: Loss		\$0.000	(\$167)	(\$139)	(\$128)	(\$12)	(\$153)	(\$147)	(\$1)	(\$092)	(\$084)	(\$076)	(\$065)	(\$1.27)
Plus: Gain from Sale														\$1.383
Less: Cash Distribution		(\$0.07)	\$0.003	(\$0.23)	(\$0.33)	(\$0.4)	(\$0.06)	(\$0.11)	(\$0.056)	(\$0.062)	(\$0.068)	(\$0.074)	(\$0.084)	(\$0.461)
Total for Year	\$0.379	(\$0.04)	(\$163)	(\$162)	(\$161)	(\$16)	(\$159)	(\$157)	(\$156)	(\$154)	(\$152)	(\$151)	\$1.235	(\$3.45)
<b>Balance</b>		<b>\$0.375</b>	<b>(\$167)</b>	<b>(\$326)</b>	<b>(\$324)</b>	<b>(\$321)</b>	<b>(\$319)</b>	<b>(\$316)</b>	<b>(\$313)</b>	<b>(\$31)</b>	<b>(\$307)</b>	<b>(\$303)</b>	<b>\$1.084</b>	

Tenant	T <sub>O</sub>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
AFTER-TAX CASH FLOW & INTERNAL RATE OF RETURN:														
General Partner														
Operation:														
Before-Tax Cash Flow	(\$,379)	\$0.007	(\$,003)	\$0.023	\$0.033	\$0.040	\$0.006	\$0.011	\$0.056	\$0.062	\$0.068	\$0.074	\$0.084	
Taxable Income		\$0.003	(\$,167)	(\$,139)	(\$,128)	(\$,12)	(\$,153)	(\$,147)	(\$,1)	(\$,092)	(\$,084)	(\$,076)	(\$,065)	
Taxes		\$0.001	(\$,047)	(\$,039)	(\$,036)	(\$,034)	(\$,043)	(\$,041)	(\$,028)	(\$,026)	(\$,024)	(\$,021)	(\$,018)	
After-Tax Cash Flow	(\$,379)	\$0.006	\$0.043	\$0.062	\$0.069	\$0.074	\$0.049	\$0.052	\$0.084	\$0.088	\$0.092	\$0.096	\$0.102	
Reversion:														
Before-Tax Cash Flow														
Capital Gains														\$1.383
Taxes														\$0.387
After-Tax Cash Flow	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.996	
Total After-Tax Cash Flow	(\$,379)	\$0.006	\$0.043	\$0.062	\$0.069	\$0.074	\$0.049	\$0.052	\$0.084	\$0.088	\$0.092	\$0.096	\$1.098	
ATCF IRR	18.88%													
NPV	\$0.243													
Limited Partner														
Operation:														
Before-Tax Cash Flow	(\$7,199)	\$0.128	(\$,064)	\$0.437	\$0.635	\$0.757	\$0.117	\$0.206	\$1.068	\$1.178	\$1.292	\$1.410	\$1.596	
Taxable Income		\$0.052	(\$3,167)	(\$2,647)	(\$2,428)	(\$2,283)	(\$2,899)	(\$2,785)	(\$1,894)	(\$1,753)	(\$1,605)	(\$1,451)	(\$1,226)	
Taxes		\$0.015	(\$,887)	(\$,741)	(\$,68)	(\$,639)	(\$,812)	(\$,78)	(\$,53)	(\$,491)	(\$,45)	(\$,406)	(\$,343)	
After-Tax Cash Flow	(\$7,199)	\$0.113	\$0.822	\$1.178	\$1.315	\$1.397	\$0.929	\$0.985	\$1.598	\$1.669	\$1.742	\$1.816	\$1.940	
Reversion:														
Before-Tax Cash Flow														
Capital Gains														\$26.285
Taxes														\$7.360
After-Tax Cash Flow	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$18.925	
Total After-Tax Cash Flow	(\$7,199)	\$0.113	\$0.822	\$1.178	\$1.315	\$1.397	\$0.929	\$0.985	\$1.598	\$1.669	\$1.742	\$1.816	\$20.865	
ATCF IRR	18.88%													
NPV	\$4.626													

PROJECT FINANCIAL RATIOS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating exp. ratio (Operating Exp./PGI):	9.50%	12.46%	12.46%	11.64%	11.49%	11.46%	37.13%	36.94%	18.49%	18.47%	18.45%	18.43%
Breakeven Occupancy			86%	81%	79%	102%	100%	80%	78%	76%	76%	71%
Proforma Assumed Occupancy	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%
Debt coverage ratio (NOI/ADS):		0.97	1.18	1.26	1.31	1.07	1.10	1.44	1.49	1.53	1.58	1.66
Gross income multiplier (Market Value/PGI):	288.91	15.88	13.89	13.66	13.80	14.04	14.30	14.55	14.82	15.08	15.35	16.04
Net Income Multiplier (Market Value/NOI):	321.01	18.24	15.80	15.52	15.67	20.23	20.54	16.53	16.82	17.12	17.43	17.45
Equity Dividend	\$0.135	(\$0.068)	\$0.460	\$0.669	\$0.797	\$0.172	\$0.265	\$1.124	\$1.240	\$1.360	\$1.484	\$1.680
Cash-on-Cash/Equity Dividend Rate	1.78%	-0.89%	6.07%	8.82%	10.52%	1.63%	2.86%	14.83%	16.36%	17.95%	19.58%	22.17%

PROJECT INVESTMENT ANALYSIS	
NPV @12%	\$7.430
IRR (BTCF)	19.35%
Cap Rate (purchase)	N/A
Cap Rate (sale)	5.50%
Cash-on-Cash	
Increase In Capital Value	78.21%
Profitability Index	98.05%

SOURCES OF BENEFITS @ IRR													
	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
BTCF (Actual)	\$0.135	(\$0.068)	\$0.460	\$0.669	\$0.797	\$0.124	\$0.216	\$1.124	\$1.240	\$1.360	\$1.484	\$1.680	\$9.221
BTCF-Discounted	\$0.113	(\$0.048)	\$0.270	\$0.330	\$0.329	\$0.043	\$0.063	\$0.273	\$0.252	\$0.232	\$0.212	\$0.201	\$2.270
Income Taxes (Actual)	\$0.015	(\$0.934)	(\$0.78)	(\$0.716)	(\$0.673)	(\$0.854)	(\$0.821)	(\$0.558)	(\$0.517)	(\$0.473)	(\$0.428)	(\$0.361)	(\$7.099)
Income Taxes (Discounted)	\$0.013	(\$0.655)	(\$0.459)	(\$0.353)	(\$0.278)	(\$0.296)	(\$0.238)	(\$0.136)	(\$0.105)	(\$0.081)	(\$0.061)	(\$0.043)	(\$2.691)
Future Values (Actual)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$44.338	\$44.338	\$88.676
Future Values (Discounted)									\$0.000	\$0.000	\$6.335	\$5.308	\$11.643
<b>ACTUALS TOTAL</b>	<b>\$0.119</b>	<b>\$0.866</b>	<b>\$1.240</b>	<b>\$1.384</b>	<b>\$1.470</b>	<b>\$0.978</b>	<b>\$1.037</b>	<b>\$1.682</b>	<b>\$1.757</b>	<b>\$1.833</b>	<b>\$46.250</b>	<b>\$46.380</b>	<b>\$104.996</b>
<b>Discounted Total</b>	<b>\$0.100</b>	<b>\$0.608</b>	<b>\$0.729</b>	<b>\$0.682</b>	<b>\$0.607</b>	<b>\$0.338</b>	<b>\$0.301</b>	<b>\$0.409</b>	<b>\$0.358</b>	<b>\$0.313</b>	<b>\$6.608</b>	<b>\$5.552</b>	<b>\$16.604</b>
	<b>(\$0.015)</b>	<b>\$0.934</b>	<b>\$0.780</b>	<b>\$0.716</b>	<b>\$0.673</b>	<b>\$0.854</b>	<b>\$0.821</b>	<b>\$0.558</b>	<b>\$0.517</b>	<b>\$0.473</b>	<b>\$44.766</b>	<b>\$0.361</b>	

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## OWNERSHIP STRUCTURE

The project will be organized as a Limited Liability Company (LLC) in the Commonwealth of Virginia and will file its articles of organization with the State Corporation Commission (SCC) as *Azalea Commons, LLC*.

### Accounting and Tax Consequences for the LLC Structure

- **Federal Taxation of Income.** Income of a partnership/LLC is not subject to federal income tax at the entity level; income instead is allocated to the partners/members, who pay income tax on their respective shares of the partnership's income.
- **Loss Pass-Through.** The losses of a partnership/LLC are allocated to its partners/members who may be able to deduct the losses against their other income, subject to various limitations, such as the passive activity loss rules under Code Section 469, the "at risk" limitations under Code Section 465, and the amount of their tax basis for their partnership/membership interests.
- **Appreciated Property Contributions:** The transfer of appreciated property to a partnership/LLC is tax-free under the relatively straightforward rules of Section 721 of the Code. For transfers of property to a corporation, the provisions of Code Section 351 afford tax-free treatment, but only if additional tests are met, such as the post-transfer 80 percent control requirement for the property transferors.
- **Appreciated Property Distributions:** The LLC may transfer appreciated property to its partner/members without gain recognition by the partnership/LLC or partners/members.
- **Debt:** Partners/members may include their share of the partnership's/LLC's debt in computing the tax basis of their interest in the partnership/LLC.
- **Cash Method of Accounting:** LLC's are allowed to use this method unless they have a "C" corporation as a partner or are classified as a "tax shelter."

### Organization Management/Operating Agreement

- **Management** Unless agreed otherwise, each member in a member-managed LLC has equal rights and a majority of members must approve LLC matters. Unless agreed otherwise, the LLC Act requires all members to approve certain LLC matters, e.g., amendment of operating agreement, amendment of articles of organization, the compromise of contribution

obligations, making distributions, admitting new members, merger with another entity, sale, lease, exchange, or disposal of all or substantially all LLC assets.

- **Operating Agreement:** Generally, the operating agreement can establish any management structure, and vary many, but not all, of the statutory "default" rules.

LAND USE REGULATIONS

Current  
Zoning:

Site is zoned as **B-2 Business Districts**

**B-2 Business District:** This district is to provide commercial and community shopping, recreational and service activities generally serving a community of several neighborhoods and appropriately located on major collector or arterial roadways. Uses and activities characterized by extensive warehousing, frequent heavy trucking activity, open storage of material or the nuisance factors of dust, odor and noise associated with manufacturing are not intended to be located within such areas.

- ◆ **Permitted Use:** Proposed use is allowed and would not require a special exception or impose restrictions on the proposed development of the site.
- ◆ **Traffic Impact:** A traffic study will be required to assess the impact of the development on the transportation system. The site has access from the north and south from Brook Road; from the east on West Brook Road and on the west from Azalea Avenue/Dumbarton Road.
- ◆ **Environmental Issues:** Proposed use is consistent with the prior use of the site as commercial/residential. Prior use should not have had any adverse impact on the soil. Phase I Environmental Assessment will be conducted to determine if there are any hazardous materials on the site.

Zoning Of  
Surrounding  
Property:

North: Interstate 95, B-1; B-2, B-3  
South and East: City of Richmond (single family residential)  
West: Westminster Canterbury senior living facility and Interstate 95



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**Future Land Use/  
County  
Comprehensive  
Plan:**

The Current Land Use Plan Map designates the area for Urban Mixed-Use (UMU) and Commercial Concentration and uses. A portion of this area is included in the County's Enterprise Zone. The Plan states the following: *The Azalea Mall Area should be redeveloped with a variety of uses to contribute to the high quality of life in the County. The appropriate uses and character for this area should be determined in further planning studies. Redevelopment occurring on the former site of the mall should respect the adjacent senior living development.*

- ◆ **Urban Mixed Use Requirements:** The site meets the requirements for the urban mixed use designation. The site has adequate infrastructure and is served by necessary transportation facilities (i.e., available public transit, close proximity to an interstate interchange). The UMU district requires primary access to a major access road, major collector, minor arterial, or major arterial roadway as designated on the county's major thoroughfare plan. Areas proposed for UMU district development must be identified on the land use plan, and development in the UMU district shall be consistent with the goals, objectives, and policies set forth in the urban mixed use development provisions of the comprehensive plan.

**Required Development  
Standards For Urban  
Mixed Use:**

- ◆ **Minimum Area:** A project must contain at least 20 acres. In calculating the minimum acreage of the project, land zoned C-1 conservation district may be included, but existing publicly dedicated streets and proposed public rights-of-way shall not be included.
- ◆ **Mixture of uses.** A minimum of 25 percent of the building square footage in the UMU district shall be developed for commercial or office uses unless otherwise approved by the board of supervisors at the time of rezoning. The required percentage of commercial or office uses shall be achieved at the 50 percent and 90 percent completion of construction thresholds of the total building square footage within the UMU district. The developer shall provide this calculation with the plans of development submitted for each phase of the project.

- ♦ **Height.** No building or structure shall exceed a height of 60 feet unless otherwise permitted by the board of supervisors pursuant to section 24-32.1(u).

**Parking Requirements**  
**Urban Mixed Use:**

<b>ZONING PARKING REQUIREMENTS UMU</b>					
Planned Uses	<i>Sq.ft. RSF</i>		<i>Required</i>		<i>Min Spaces.</i>
Retail	153,000	SF	1 per	250 gsf	612
Health Clubs	10,000	SF	1 per	100 gsf	100
Restaurants	22,000	SF	1 per	250 gsf	88
<b>Total</b>	<b>185,000</b>				<b>800</b>

**Zoning**  
**Approval**  
**Process B-2:**

Development on the site will require a plan of development (POD) with review and approval by the Henrico County Planning Commission. The Plan of Development requires the submission of drawings for review and approval, which depict proposed building layout, water and sewer lines, roads, drainage, landscaping, and other necessary improvements. The proposed use of the property must be permitted by the current zoning classification. The initial POD process includes a public hearing before the Planning Commission for approval of the overall site development layout and buildings. Subsequent phases of the project, including construction plan approval and building permit approval for the structures, are reviewed and approved administratively by staff.

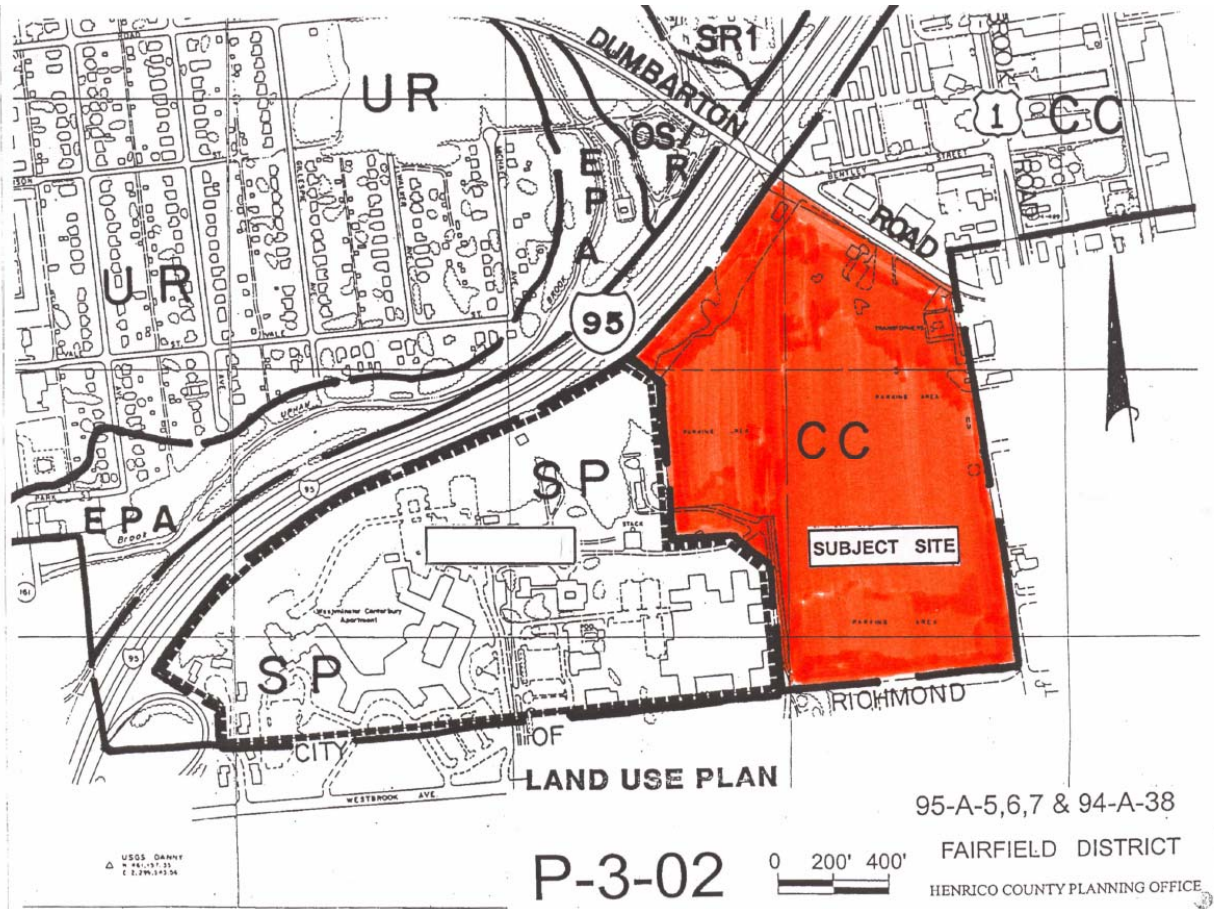
**Zoning**  
**Approval**  
**Process UMU:**

The detail approval process for Urban Mixed Use is in Zoning Exhibit in the Appendix. It should be noted that the proposed Project conforms to the County's Master Plan as a site for UMU.

SITE ZONING MAP



SITE LAND USE MAP



LAND USES	
Code	Permitted Use
CC	Commercial
SP	Semi-Public
UR	Urban Residential

## SITE PLANNING, DESIGN & ARCHITECTURE

### PROPOSED DESIGN STRATEGY

Redevelopment of the Azalea site should have a profound effect on the desirability of the surrounding neighborhoods and will provide convenient availability of goods and services to the community. The site has established residential neighborhoods in the City of Richmond to the east, west, and south and suburban neighborhoods to the north in Henrico County. Nevertheless, redevelopment will be a challenge because it differs from developing a suburban shopping center and requires innovative strategies to restore the neighborhood's vitality and market competitiveness. Moreover, redevelopment on the site has largely been overlooked or forgotten for years by retailers and developers for development opportunities in the north and western parts of the county, where retail opportunities are perceived to be greater. Nevertheless, opportunities to reestablish retailing on the site are great as evidenced in the residents who live near the site who are forced to travel outside their neighborhoods to shop for goods and services.

The concept will be inspired by the surrounding residential neighborhoods and the architecture that is reflected in the City of Richmond. The site is an in-fill development and therefore the development shall serve the needs of the residential neighboring urban and suburban neighborhood with retail shops, restaurants and other commercial uses. In addition, 60.82 percent or 20.94 acres of the site will be reserved for future development.

### Site Design Features and Amenities

- **Vehicular Traffic:** The design will provide clear separations between service traffic, building access traffic, and parking lot traffic. In addition, service traffic will not use the lanes that provide access to drop-off/pick-up locations at the buildings entrances.
- **Pedestrian Traffic:** Pedestrians are separated from vehicular traffic. In addition the primary road does not weave through the parking lot and loading docks are shielded from view.
- **Parking:** Convenient parking will be designed to enhance the pedestrian experience and not detract from it. In addition, traffic will be moderated by providing on-street parking and allow shoppers to park in front of stores and shops to create a stronger connection or curb appeal.
- **Pedestrian Amenities** will be provided including a court yard with landscaping hardscapes, benches, grasses and trees. Sidewalks will be wide enough to accommodate outdoor dining while providing enough room to allow for unimpeded pedestrian flow. Brick or concrete pavers will be used to create a positive affect.
- **Architecture:** Built environment will be deigned as though it belongs in the neighborhood especially in terms of scale, height, and character. The neighborhood



vernacular will be expressed in the design of buildings. The standard retail bay in the United States is 30 feet wide by 60 to 90 feet deep. Multiples of this module can accommodate larger users, such as restaurants. Neighborhood retail often has regular turnover, and adherence to these standards can help find new users. Windows that offer visibility into the store are good advertising and contribute to comfort on entry. Awnings or recessed entries provide comfortable shelter from rain and sun.

- **Signage, Lighting and Street Furniture:** Design guidelines will be established to ensure consistency and quality.

Pictures below reflect the visual concept from the Down-town Mall in Charlottesville, VA and Shirlington, Arlington, Va.



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## CONSTRUCTION MANAGEMENT CONTROLS

### CONSTRUCTION MANAGEMENT AND DELIVERY METHOD

Project will be executed as *Design-Bid-Build*. This is the most popular delivery method for construction projects. With this method the owner, Azalea Commons, LLC engages an architect/engineer (A/E) who prepares the design of the project. Once completed the construction documents are presented to the Construction Manager (Patner Construction) who prepares bids for the work, and execute contracts with the subcontractors to execute the various specialty items. In addition, the bidding process is managed by the construction manager.

### PROJECT DEVELOPMENT RISK MANAGEMENT

- **Environmental Risk:** Possible development/construction issues relate to uncovering unknown existing conditions on the site, particularly as they relate to unforeseen subterranean conditions. Risk exposure should be low given that the prior use on the site was retail and the site is vacant. Nevertheless, mitigation of this risk will be through the projects due diligence process prior to the initiation of design with a Phase I Environmental Assessment. The Phase I study should uncover any unknown issues.
- **Regulatory Risk:** Regulatory risk is low; project conforms to the county Master Plan and current zoning regulations. Nevertheless, the development team will meet with members of the community to discuss the development of the site prior to initiation the formal approval process with the county. The Construction Manager is responsible for obtaining all building permits. They typically have or hire a permit expediter to move projects through the process. We can engage third party inspectors, at a small additional cost, to maintain our schedule.
- **Construction Risk.** Will be executed with a Guaranteed Maximum Price (GMP). Construction oversight will be done with a Construction Manager (CM). The GMP and CM are being used to mitigate risks that could result in cost escalation directly or indirectly and are identified below:
  - ***Parallel Completion of Design and Regulatory Processes.*** Design will advance simultaneously with zoning and other regulatory reviews (permitting) to reduce overall project duration.
- **Financial Risk:** The financial performance of the Project is subject to adverse effects from construction cost overruns, delays, or slow market sales conditions. A GMP will be developed in advance of establishing the final budget. Any scope reductions or value engineering that is required will be completed prior to the start of construction.



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- **Market Risks:** The financial performance of this project is not limited to the development risks identified above but also includes the following:
    1. Local real estate market conditions, such as oversupply or reduction in demand for retail space;
    2. Downturns in the national, regional and local economic climate; and
    3. Competition from other projects under developments.

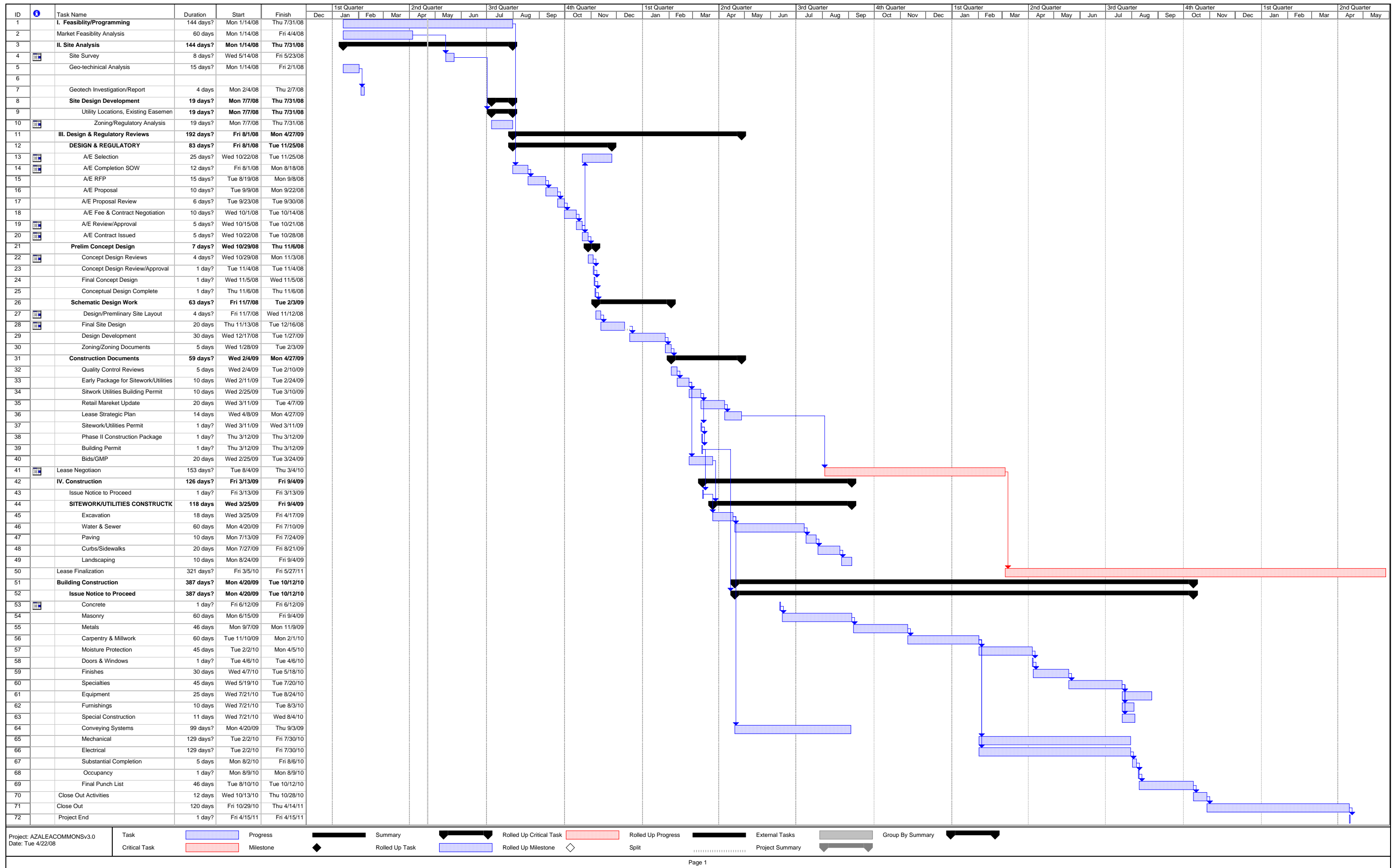
## DEVELOPMENT TEAM & RESPONSIBILITIES

- **Developer/General Partner**
  - Demonstrates the organization's overall commitment to the project.
  - Communicates to the Project Team the project's purpose and value.
  - Approves the project's objectives, scope, and success criteria, and any changes to same.
  - Takes action when project progress is slowed due to reduced commitment.
  - Approves changes to performance requirements, scope, budget, and project schedule.
  - Ensures timely resolution of issues affecting project success
  - Oversight of Project Manager/Director
  - Approves design
- **Project Manager**
  - Manages the Project Team.
  - Sets priorities for the Project Team
  - Recommends action to Owner/General Partner when project progress is slowed
  - Drafts the project's objectives, scope and success criteria
  - Organizes the project and reviews the project schedule
  - Summarizes periodic project status reports from team members
  - Identifies problems, develops solutions and recommends specific management actions to the Owner/General Partner.
  - Facilitates quality assurance reviews
  - Defines strategy for design implementation
  - Manages allocated resources and project implementation
- **Project Team**
  - *Real Estate Attorney*

- Responsible for managing project public approval process;
- Management of legal matters associated with planning, design, and construction of the project;
- Development of contract/lease documents; and
- Management of legal issues associated with the operation of the property after completion.
- **Architect:** THW Design
  - Responsible for completion of project design per identified requirements;
  - Management and coordination of engineers (civil, mechanical, electrical, etc) and other consultants such as landscape architect; and
  - Manages the construction administration process for the project.
- **Construction Manager:** Patner Construction
  - Responsible for management of construction coordination, logistics, and execution.
- **Lease Marketing and Property Management:** CBRE
  - Development of comprehensive leasing strategy; and
  - Assist in the development of design requirements to meet the needs of prospective tenants.

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**PROJECT SCHEDULE**



## MARKET STRATEGY & EXECUTION

The right tenant mix and quality will create character as well as the diversity of product offerings for the neighborhood/community retail center. Since this is a vacant lot the character and feel of the community can be created through design and architecture. Nevertheless, a coordinated merchandising plan should create a good tenant mix which reduces the risk to retailers. Market and management strategies for leasing are enumerated below:

- **Leasing Management:** First priority---leasing and management professional will be hired to sell the development and neighborhood to prospective tenants. These activities will be done by a local firm that is familiar with the Richmond retail market such as CBRE. The firm that is selected will dynamically "sell" the neighborhood, and has a sophisticated understanding not only of retail leasing but also of shopping center management. The leasing and management firm will also be a part of the planning and design team, to help articulate the design requirements for a successful development project and occupancy by tenants.
- **Comprehensive Leasing Plan:** A comprehensive leasing plan will be developed that is flexible and builds on the strengths and competitive advantages that the neighborhood already has. The Plan will be adjusted constantly to reflect changing market conditions. The leasing strategy will be tailored to the neighborhood/community with an understanding of the characteristics of the market location thus know the customer and competition and evaluate nearby retail establishments as a guide for determining prospective tenants.

### Prospective Tenants

- Trader Joes
- Panera Bread
- National Restaurant Chain (Friday's, Chillis, Ruby Tuesday)
- Golds Gym

## APPENDIX

## APPENDIX I: S&P US MARKET NOTES



# U.S. Financial Notes

## Weekly Market Analysis

April 18, 2008

### Mixed Messages

By David Wyss

The economic data this week were generally a bit stronger than we had expected. There is a high probability that the first-quarter GDP number could be positive. Economic releases this week included:

- Consumer prices rose a moderate 0.3% in March, and were up only 0.2% excluding food and energy items.
- Producer prices soared 1.1%, however, mostly because of energy prices (up 2.9%).
- March retail sales edged up 0.2%, and were up 0.1% excluding autos.
- Industrial production rose 0.3% in March, led by a weather-related 1.9% jump in utility production.
- Housing starts plunged 11.9% in March, to an annual rate of 947,000.
- The Federal Reserve manufacturing surveys were split, with the New York Empire State survey rebounding to 0.6 in April from negative 22.2 in March. The Philadelphia Fed's Business Outlook Survey, in contrast, dropped to negative 24.9 from negative 17.4.
- Capital inflows from abroad increased to \$64.1 billion in February, compared with \$35.7 billion in January.
- Business inventories rose 0.6% in February, while sales were down 1.1%. The inventory/sales ratio rose to 1.28 months' supply from 1.26 in January, but was still down from 1.30 months one year earlier.
- The Conference Board's Index of Leading Economic Indicators rose 0.1% in March, breaking a five-month losing streak.
- U.S. initial jobless claims rose 17,000 to 372,000 in the week ended April 12. Continuing claims rose 26,000 to 2.984 million in the week ended April 5. The insured unemployment rate held at 2.2%. The four-week moving average edged down 750 to 376,000, but has been clearly rising over the past two months.
- The Federal Reserve's Beige Book summary of regional economic conditions remained downbeat, showing "that economic conditions have weakened since the last report."
- Oil prices rebounded to a new record of \$116/barrel Friday, after crude oil inventories fell for the 13th time in 14 weeks.
- The 10-year Treasury yield edged up to 3.77%, but remains well below the 4.25% in early December. The dollar rose to \$1.579/euro, and 103.9 yen.

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## **Inflationary Tendencies**

The March price data gave mixed signals this week. Producer prices shot up more than expected, although only because of food and energy, while consumer prices were much calmer. A 2.9% surge in energy prices and a 1.2% jump in food prices propelled the 1.1% jump in producer prices. The core rate (excluding food and energy) was up a moderate 0.2%. Finished goods prices are now up 6.9% from one year ago, while the core rate is up 2.7%. Energy prices are up 20.4% over the past 12 months, while food is up 5.8%.

Intermediate and crude prices were up 2.3% and 8.0%, respectively. Excluding food and energy items, the increases were 1.1% and 3.5%, still very high. These data show that there is more PPI inflation in the pipeline and that rates won't be coming down soon.

Consumer prices, in contrast, were up a moderate 0.3%, and only 0.2% for core inflation. Food prices were up only 0.2% in the CPI. The divergence reflects, in part, timing; the CPI component is likely to accelerate next month. However, it also reflects the fact that the PPI measures less-processed foods. By the time foods go through processing, the increases are usually damped out. The energy price divergence was even starker, up 1.9% in the CPI versus 2.9% in the PPI. One of the main reasons for this divergence is that taxes are included for CPI level but not for PPI.

The Fed pays more attention to the CPI than to the PPI. The core CPI was up 2.4% from one year earlier in March. The core chain-weighted index, which is closer to the core consumer spending deflator that the Fed tracks, was up only 2.1% over the past 12 months, barely above the Fed's 1% to 2% "comfort zone." We expect a modest increase in core inflation in the short run, as the high producer and import prices filter through, but the increases will remain much lower than at the PPI level.

## **Consumers Keep Spending**

The demise of consumer spending may have been overstated. Retail sales rose 0.2% in March, as auto sales rose 0.2% despite a drop in unit sales of new vehicles. Note that consumer spending in the national income accounts usually tracks unit new car sales closer than retail auto dealers, which include used car sales. Auto sales were down 3.2% from one year ago. Nonautomotive retail sales were up 3.3% over the year, still a strong performance. A 1.1% rise in gasoline station sales helped the total, but even excluding gas stations, sales were up. General merchandise sales fell 0.6%, in line with the chain-store reports, and clothing was down 0.5%. However, food was up 0.4% and restaurants 0.3%. In addition, nonstore sales jumped 2.1%, perhaps as people turn to the internet for cheaper merchandise.

Industrial production rose 0.3% in March. Manufacturing was up 0.1%, slightly better than expected. Utility production rebounded 1.9% after a 3.6% February plunge and a 2.4% January surge — all reflect weather, with a cold January, mild February, and chilly March. Mining production was up 0.9%, responding to strong commodity prices. Capacity utilization in manufacturing fell 0.1 to 78.5%, below the 80% line that usually requires capacity growth. Drops of 5.4% in motor vehicle production and 2.6% in primary metals offset strength in other durable industries. A 2.6% drop in petroleum refining offset the rest of nondurables. Manufacturing picture remains a bit stronger than expected, with production up 1.2% from a year earlier.

The April manufacturing surveys from the New York and Philadelphia Federal Reserve banks were mixed. The Philadelphia index slipped to negative 24.9 from negative 17.4, but New York rebounded to 0.6 from negative 22.2. The six-month outlooks moved in opposite directions, with the Philadelphia index jumping to 13.7 from negative 0.5, while New York edged down to 19.6. Both are in positive territory, however, implying that manufacturers expect conditions to improve.

Housing resumed its slide in March after unexpected strength in January and February, supporting our view that weather caused the strong numbers. Housing starts plunged 11.9%, to an annual rate of 947,000, down 36.5% from a year earlier. We continue to expect starts to total 890,000 for the year, implying further declines. Building permits fell 5.8% to 927,000, down 40.9% from one year ago and consistent with a continued fall in starts.

Both multi- and single-family starts fell in March, with multis down more sharply (negative 24.7% vs. negative 5.7%). This just offsets the unusual jump in multi-family starts in February. Compared with last March, multis are down only 1.2%, while singles have plunged 43.6%. Starts were down in all four regions, but most in the Midwest. The Midwest and West are the weakest regions compared with one year ago, reflecting the poor economies in the Great Lakes region and the bursting of the housing bubble in California, Arizona, and Nevada.

## **Financial Markets**

The Fed's Beige Book compendium of reports from the 12 Federal Reserve Districts were negative, but in line with recent Fed pronouncements. There didn't seem to be much deepening of the pessimism this time. Housing was pretty uniformly characterized as sluggish, although Cleveland, Richmond, Chicago, Boston, and Atlanta saw some pockets, at least, of improvement. Commercial real estate was steady

to softening in most regions, with eight districts citing softening rental markets. Consumer spending was mostly weaker, especially for auto dealers. Tourism, however, was still robust, with the strength attributed to increased international visitors. Price increases were reported across all districts, especially in food and energy. And, input costs are rising more than output prices, squeezing margins.

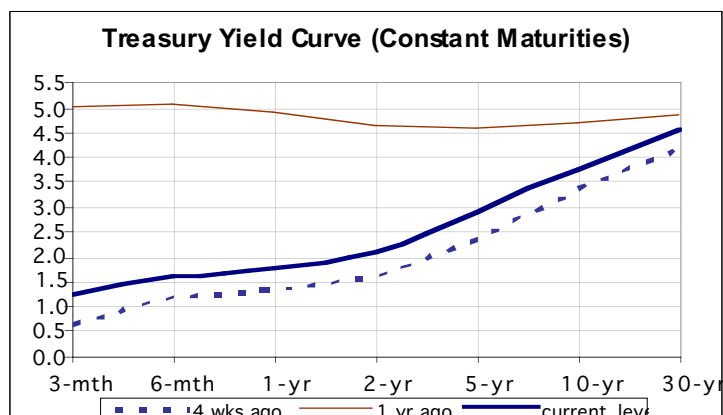
International capital flows recovered in February, to \$64.1 billion, after weak January inflows of only \$35.7 billion. The private inflow of \$73.1 billion rebounded from the January outflow of \$42.5 billion, while official outflows were \$9.0 billion, compared with inflows of \$78.3 billion in January. The rebalancing is good news, and the inflows are back in line with the trade deficit, relieving pressure on the dollar.

We still expect a 50-basis point (bps) rate cut April 30. However, a stronger-than-expected GDP number that morning could convince the Fed to move only 25 bps. The incoming data suggest that the first-quarter GDP growth will be near zero, stronger than we had expected in our last forecast. However, much of the strength is in inventories, implying that the second quarter will be weaker. A positive first-quarter GDP number might mean that this downturn will not be considered an official recession. More likely, it increases the risk of a double-dip recession, with a negative second quarter followed by a positive third and then slipping back to negative.

**TREASURY YIELD CURVE:**

Long-term Treasury yields rose this week, on stronger economic and company-specific news. Retail sales and industrial production data calmed fears of a deeper recession, pushing the 10-year Treasury bond yield up 30 bps to 3.77% on Friday (midmorning). Much stronger-than-expected producer prices added to inflation concerns, although some of these fears were calmed by the CPI. On the short end, the three-month Treasury bill rate fell 4 bps because of worries about safety. The yield curve has steepened sharply from a year ago, with the short end sharply lower and the long end falling by less. The two- to 10-year spread edged down 9 bps to 162 bps, but is far steeper than it was one year earlier (4 bps). Inflation expectations increased slightly, with the inflation-protected bonds (TIPS) spread above the 10-year Treasury, edging up to 1.81%, from 1.76% the week before.

(%)	current	Change over			
	level	1 wk	4 wks	13 wks	1 year
3-mth	1.23	-0.04	0.60	-1.84	-3.76
6-mth	1.58	0.09	0.38	-1.43	-3.46
1-yr	1.77	0.16	0.44	-1.04	-3.14
2-yr	2.13	0.29	0.54	-0.31	-2.51
5-yr	2.90	0.24	0.54	0.00	-1.67
10-yr	3.75	0.20	0.41	0.09	-0.93
30-yr	4.54	0.20	0.37	0.29	-0.30
Inflation Indexed Treasury (LT)	1.94	0.18	0.19	0.12	-0.39



**CREDIT MARKETS:** Risk aversion has recovered after worries about the Bear Stearns' rescue and the Fed's actions two weeks ago, but widened again this week, in part, because of weak earnings reports from banks. The TED (Treasury-to-Eurodollar) spread remains wider than usual (183 bps), but more because of low Treasury rates, not a high LIBOR. The April 7 Term Auction Facility showed a higher bid (2.82%). The bid/cover ratio was 1.82, a bit higher than in recent auctions, but the number of bidders fell to 79. The Fed also added a new lending vehicle, the Term Securities Lending Facility, with larger loans and longer terms. The April 17 auction resulted in low bidding (bid-cover ratio of 1.4 on \$25 billion auctioned) and a spread of only 10 bps. The measures are intended to improve liquidity in the market, especially to reduce the risk premium on longer-term (more than overnight) trades. Equity-market volatility remained high, with the volatility index (VIX) edging down to 20.4, well below the 30.8 spike in mid-August. The 30-year mortgage rate was flat at 5.88%. The Mortgage Bankers Association reported that mortgage demand rose by 2.5% in the week ended April 11. Purchase applications fell 0.8%, while refinance applications were up 5.2%.

	current level	Change over			
		1 wk	4 wks	13 wks	1 year
Money Market					
3-mth Euro\$	2.95	-0.05	0.25	-0.97	-2.37
90d Commercial Paper	2.07	-0.01	-0.45	-2.00	-3.21
3-mth CD	2.78	0.03	0.19	-1.10	-2.53
Swap Rates					
1-year	2.69	0.20	0.42	-0.66	-2.60
2-year	2.84	0.25	0.51	-0.29	-2.19
5-year	3.64	0.20	0.42	0.05	-1.37
10-year	4.33	0.17	0.34	0.07	-0.85
30-year	4.86	0.15	0.30	0.10	-0.51
Other Key Interest Rates					
Prime Rate	5.25	0.00	0.00	-2.00	-3.00
15yr Mortg.	5.42	0.00	-0.18	-0.01	-0.52
30yr Mortg.	5.88	0.00	-0.25	0.01	-0.30
Volatility Markets					
VIX Equity Market Volatility	20.37	-1.61	-6.25	-8.09	7.83
Swaption 2-10 Year	23.30	0.10	-2.60	2.40	9.60
Liquidity Spreads (bps)					
3-mth Euro\$ to 3-mth Treas.	183	14	-26	105	151
10yr Swaps to 10yr Treas.	61	-6	0	9	9

**FED POLICY AND INTEREST RATE OUTLOOK:** The Federal Reserve cut the federal funds rate by 75 bps to 2.25%, on March 18. Federal Open Market Committee minutes to the March policy meeting showed “many” officials saw a “likely” contraction in GDP in the first half of 2008. In addition, “Some believed that a prolonged and severe economic downturn could not be ruled out.” The April Beige Book indicated that, “Economic conditions have weakened since the last report.” The Fed opened the Fed’s emergency credit facility, and blessed JPMorgan’s acquisition of Bear Stearns with its guarantee of up to \$30 billion over the March 16 weekend. Defending the Bear rescue, Fed Chairman Bernanke said that the Fed has set a very high bar concerning what it deems “unusual” and “exigent” circumstances. Chairman Bernanke said on April 2 that, “It now appears likely that real gross domestic product will not grow much, if at all, over the first half of 2008 and could even contract slightly,” indicating a recession. Fed funds futures are discounting a 25-bps cut at the April meeting, with a 20% chance of 50 bps. We still expect a 50-bps cut in April, but 25 is becoming more likely.

	current level	Change over			
		1 wk	4 wks	13 wks	1 year
FundsTarget	2.25	0.00	0.00	-2.00	-3.00
Effective	2.35	0.15	0.27	-1.87	-2.84

#### Fed Funds Future Contracts (Yield)

FOMC Meeting Date	Contract Mth	current level	Change over		
			1 wk	4 wks	13 wks
Apr.29/30	Apr-08	2.23	0.03	0.06	-1.06
	May-08	1.95	0.06	0.09	-1.09
Jun. 24/25	Jun-08	1.95	0.09	0.12	-1.05
	Jul-08	1.91	0.11	0.13	-0.91
Aug. 5	Aug-08	1.89	0.12	0.14	-0.80
Sept. 16	Sep-08	1.89	0.12	0.16	-0.73

#### Euro Dollar Futures Curve

Contract Mth	current level	Change over		
		1 wk	4 wks	13 wks
Apr-08	2.70	-0.02	0.23	-0.72
May-08	2.83	0.32	0.52	-0.47
Jun-08	2.76	0.34	0.55	-0.35
Jul-08	2.72	0.36	0.59	-0.24
Aug-08	2.68	0.40	0.59	-0.12
Sep-08	2.65	0.42	0.59	-0.10

**FOREIGN EXCHANGE RATES:** The dollar weakened against most major currencies this week on more disappointing U.S. economic news, continued market turmoil, and expectations for future rate cuts. The dollar edged up to \$1.579/euro from \$1.58/euro and to 103.9 yen from 101.7 yen. February net foreign capital inflows were \$64.1 billion, up from \$35.7 billion in January. The continued trade deficit and reversed interest rate gap with Europe will put downward pressure on the dollar through the spring, but some recovery is likely after the second quarter if the Fed stops easing and the European Central Bank (ECB) starts, as we expect.

	current level	Change over (%)			
		1 wk	4 wks	13 wks	1 year
TWI(broad)	95.00	-0.4	-1.3	-3.8	-9.5
TWI(major)	69.96	-0.7	-1.3	-4.7	-11.8
TWI(OITP)	122.57	-0.1	-1.3	-2.8	-6.8
MXP-USD	10.48	-0.7	-2.3	-4.2	-4.8
CAD-USD	1.01	-0.7	-1.5	-1.8	-10.4
USD-EUR	1.59	1.1	3.3	8.4	17.0
USD-GBP	1.99	0.8	0.4	0.8	-0.6
CHF-USD	1.00	-0.3	-0.8	-8.8	-16.8
JPY-USD	102.22	0.5	3.5	-4.5	-13.6
USD-AUD	0.94	0.5	4.6	6.2	12.1

**GLOBAL INTEREST RATES:** Government bond yields were mostly higher this week. Aggressive central bank liquidity infusions have helped settle uneasy financial markets, but signs of stress remain. Key central banks are expected to loosen, except for the Bank of Japan (BoJ); financial market turmoil could increase their tendency to do so in the near term. Recent trends and expectations include:

- The ECB held rates at 4.0%, while the Bank of England (BoE) cut rates 25 bps to 5.0% at their April 10 meetings. The BoE statement accompanying the rate announcement stressed that inflation is likely to rise in the short-term, but noted that tightened credit conditions and deteriorating credit availability made a rate cut possible this month. The ECB statement said that, “We are experiencing a rather protracted period of temporarily high annual rates of inflation,” slightly more hawkish on inflation than last month. The ECB is expected to cut near midyear.
- The BoJ policy board left its target overnight call rate steady at 0.5% at its April 10 meeting by unanimous vote. That rate is the lowest in the developed world. The BoJ will keep rates steady through 2008 on a weaker outlook. The BoJ’s April economic report said, “Japan’s economic growth is slowing, mainly due to the effects of high energy and materials prices.”
- The Reserve Bank of Australia kept rates unchanged at a 12-year peak of 7.25% at its April 1 meeting.
- The Federal Reserve cut the funds rate 75 bps to 2.25% on March 18. The statement said that, “Downside risks to growth remain,” showing that the Fed was more concerned about growth than inflation and suggesting another cut in April.
- The People’s Bank of China (PBoC) raised its reserve requirements on March 18, for the 12th time since the beginning of 2007, to its highest level since 1987. The reserve ratio increased another 0.5 percentage points to 15.5%. The PBoC said that it will continue moderate monetary tightening to prevent an overheating economy. More hikes are expected.
- The Swedish Riksbank raised its repo rate by 25 bps to 4.25% on February 13. Markets expected no rate change.
- The Bank of Canada cut the overnight target rate on March 4 by 50 bps to 3.5%. They left the door open for additional cuts as they reduced forecasts for growth and inflation amid deteriorating financial conditions and a weak U.S. outlook. They noted that underlying strength in domestic demand will help offset weak U.S. demand.

	current level	Change over			
		1 wk	4 wks	13 wks	1 year
<b>12-mth Libor Rates</b>					
U.S.	2.91	0.34	0.52	-0.57	-2.34
Canada	3.65	0.00	0.23	-0.39	-0.74
Euro	4.80	0.05	0.12	0.35	0.54
U.K.	5.81	0.01	-0.01	0.44	-0.14
Swiss	3.08	0.01	0.08	0.24	0.46
Japan	1.10	-0.01	-0.02	0.07	0.29
Aussie	8.11	-0.08	0.09	0.51	1.38
<b>10-yr Bond Yields</b>					
U.S.	3.75	0.20	0.41	0.09	-0.93
Canada	3.77	0.07	0.24	-0.03	-0.41
Euro	4.08	0.09	0.33	0.10	-0.12
U.K.	4.63	0.17	0.35	0.21	-0.41
Swiss	3.20	0.10	0.31	0.27	0.43
Japan	1.39	0.05	0.12	-0.01	-0.29
Aussie	6.17	0.11	0.20	0.17	0.26

**COMMODITY PRICE INDEXES:** Commodity prices jumped this week. After the 13th decline in inventories in 14 weeks pushed oil prices to a record \$116/barrel. We expect oil prices to edge lower, but geopolitical risk and dollar weakness make the forecast highly uncertain. Natural gas futures prices rose another 2.8% to \$10.4/mmbtu on Thursday. Gold futures rose \$33 to \$943/ounce on Friday (midday), after reaching \$1,000/ounce again last week. Agriculture prices rose 0.3%. Livestock was up 3.4% this week, but is down 20.7% over the past year, as high feed prices force early slaughter.

	current level	Change over (%)			
		1 wk	4 wks	13 wks	1 year
SPCI	2442.6	3.3	0.4	5.5	36.1
CRB	419.5	2.7	9.9	16.1	35.1
Gold (CME)	942.9	1.2	2.5	7.1	37.0
Crude Oil (CME)	114.9	4.3	12.8	27.4	85.8
Nat. Gas (CME)	10.4	2.8	14.5	28.5	38.6
GSCI	732.6	3.0	10.7	23.2	57.9
Agriculture	925.5	0.3	4.6	3.4	51.5
Livestock	2974.5	3.4	1.3	-4.5	-20.7

**U.S. EQUITY MARKET:** U.S. equity indexes were up this week, on strong corporate results, at least outside banking. The S&P 500, Dow, and Nasdaq were 1,390, 12,855, and 2,405, respectively, Friday midday. Strength over the past month comes after four consecutive months of decline for the S&P 500. Most major equity indexes are down over the past 12 months; the S&P 500 is now down 7.2% from a year earlier, while the Nasdaq is down 6.5% and the Dow 1.5%. The small-cap S&P 600 is down 11.4% for the year.

	current level	Change over (%)			
		1 wk	4 wks	13 wks	1 year
<b>S&amp;P Indexes:</b>					
S&P 1500	309.1	0.4	3.0	3.0	-72
S&P 500	1365.6	0.4	2.7	2.4	-72
S&P 400	822.1	1.0	6.8	8.3	-57
S&P 600	373.7	0.1	3.1	5.7	-11.4
<b>Other Indexes:</b>					
Dow Indust.	12620.5	0.3	2.1	3.8	-15
Nasdaq Comp.	2341.8	-0.4	3.7	-0.2	-65
DJ Wilshire	13777.1	0.3	3.3	2.9	-74

**U.S. EQUITY MARKET BY SECTOR:** Equity sectors in the United States were mixed over the past week through Thursday. Energy, Utility, and Materials stocks reported the biggest gains through Thursday, up 4.1%, 3.2%, and 2.7%, respectively. Industrials and Health Care stocks dropped 2.7% and 2.1%, respectively, erasing their gains in the previous week. Over the past 12 months, Energy and Materials are the strongest sectors because of their commodity price hikes. Financials remain the weakest, hurt by credit write-offs.

	current level	Change over (%)			
		1 week	4 weeks	13 weeks	1 year
S&P 500	1365.6	0.4	2.7	2.4	-72
Cons Disr	247.9	-0.1	0.2	5.8	-19.8
Cons Staples	291.0	-0.2	1.0	1.6	3.6
Energy	616.8	4.1	14.2	17.2	29.2
Financials	348.5	1.4	-2.2	0.1	-29.8
Health Care	363.6	-2.1	-0.2	-11.2	-12.9
Industrials	335.1	-2.7	-0.2	6.6	0.8
Info Tech	359.9	-0.1	2.9	0.2	-13
Materials	272.6	2.7	13.8	18.8	14.0
Telecom	141.3	-1.1	0.8	-7.0	-14.8
Utilities	205.6	3.2	7.4	-0.4	-16



**GLOBAL S&P STOCK INDEXES:** Equity markets in most regions were up this week through Thursday, except for Europe. Latin America, Canada, and Australia reported the biggest gains (up 3.0%, 1.8%, and 1.4%, respectively), on strong materials prices. The strongest market performer during the past year remains Latin America (up 43.1%), followed by Asia-Pacific (up 14.3%). Japan, Europe, the U.S., and Australia remain down from a year ago.

	current	Change over (%)			
	level	1 wk	4 wks	13 wks	1 year
Global 1200	1664.3	0.8	6.1	3.0	-4.0
Global 100	1488.5	0.1	5.2	0.4	-3.2
S&P 500	1365.6	0.4	2.7	2.4	-7.2
Canada 60	834.1	1.8	11.1	11.6	7.4
LatAm 40	5309.6	3.0	14.2	20.8	43.1
Europe 350	1286.1	-0.6	5.2	-6.2	-18.2
Japan 150	1129.5	0.6	6.4	-3.2	-25.7
Asia Pac 50	3424.0	0.7	9.9	4.2	14.3
Aussie 50	5372.0	1.4	7.5	-4.3	-10.1

**GLOBAL EQUITY MARKET PERFORMANCE BY SECTOR:** International sectors were mostly up this week. Energy and Materials stocks reported the biggest gains, up 4.0% and 3.2%, respectively. Health Care stocks were the weakest. Over the past 12 months, the strongest gain has been in the Materials sector (up 28.5%), followed by Energy (up 25.0%). Financials and Health Care are down the most from a year earlier.

	current	Change over (%)			
	level	1 week	4 weeks	13 weeks	1 year
SP Global 1200	1664.3	0.8	6.1	3.0	-4.0
Cons Discr	1493.8	0.7	1.9	2.9	-16.5
Cons Staples	1693.5	0.2	2.2	3.1	5.2
Energy	3095.3	4.0	15.7	14.0	25.0
Financials	1522.0	1.5	5.6	1.2	-21.0
Health Care	1423.1	-2.4	-0.5	-11.1	-14.3
Industrials	1772.2	-1.0	3.6	5.6	-0.6
Info Tech	1493.3	-0.3	4.3	1.4	-1.0
Materials	3315.0	3.2	16.4	18.3	28.5
Telecom	1255.2	-1.0	6.0	-5.9	0.2
Utilities	1905.2	1.6	6.0	-1.7	4.2

## U.S. Economic Calendar – April 21, 2008, through May 2, 2008

Date	Time	Release	For	Forecast	Consensus	Previous
22-Apr	7:45 8:55	ICSC-UBS Retail Sales Redbook Retail Sales				
23-Apr	10:00	Existing Home Sales (Millions \$)	March	4.950	4.915	5.030
24-Apr	8:30 8:30 10:00	Durable Goods Orders (%) Initial Claims (K) New Home Sales (Millions \$)	March 12-Apr March	-0.3 370 0.585	0.1 375 0.582	-1.1 372 0.590
25-Apr	10:00	Cons sentiment (Mich)	April	64.0	63.5	63.2
29-Apr	7:45 8:55 9:00 10:00	BTM-UBS Retail Sales Redbook Retail Sales S&P/Case-Shiller Home Prices Consumer Confidence	February April	-12.0		-10.7
30-Apr	8:15 8:30 8:30 10:00 14:15	ADP Report Real GDP (% ar) GDP Deflator (%) Employment costs (%) Chicago PMI FOMC announcement	April Q1 Q1 Q1 April	0.0 2.8 0.8 1.75	0.2 3.0 0.8 2.00	0.6 2.4 0.8 2.25
1-May	8:30 8:30 10:00 10:00 16:30 TBA	Personal Income Consumer Spending Initial claims ISM Manufacturing Index Construction Spending Money Supply` Light Vehicle Sales (Millions \$)	March March 26-Apr April March 21-Apr April	0.3 0.3 48.5 -0.8 15.1	0.4 0.3 48.1 -0.6 15.1	0.5 0.1 48.6 -0.3 15.1
2-May	8:30 8:30 8:30 8:30 10:00	Nonfarm Payrolls (K) Manufacturing Payrolls (K) Unemployment Rate Average Hourly Earnings Factory Orders	April April April April March	-50 -10 5.2 0.3 0.0	-60 -35 5.2 0.3 0.4	-80 -48 5.1 0.3 -1.3

Note: All times are U.S. Eastern Time. Consensus estimates from Action Economics.

David A. Wyss, Ph.D., is chief economist at Standard & Poor's, based in New York. In this position, he is responsible for S&P's economic forecasts. Dr. Wyss joined Data Resources, Inc. in 1979 as an economist in the European Economic Service in London; DRI was later acquired by McGraw-Hill, the parent of Standard & Poor's. Before joining DRI, Dr. Wyss was a senior staff economist with the President's Council of Economic Advisers, senior economist at the Federal Reserve Board, and economic advisor to the Bank of England. Dr. Wyss holds a B.S. from MIT and a Ph.D. in economics from Harvard University.

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## APPENDIX II: 2008 RETAIL INVESTMENT OUTLOOK

# 2008 Real Estate Investment Outlook

A SPECIAL RESEARCH REPORT

## Contents

Study's Key Findings  
page 2

Housing Market Effects  
page 3

Availability of Financing  
page 4

Commercial Real Estate Pricing Trends  
page 6

Opportunity for Private Equity Firms  
page 9

Increasing Interest in Apartments  
page 10

## Guarded Optimism

Concerns about financing and a sluggish U.S. economy won't deter commercial real estate investors.

Despite a softening economy and turmoil in the capital markets, investors continue to have confidence in the U.S. commercial real estate industry. A survey of more than 1,000 private and institutional real estate investors shows only one in five respondents believe the economy will be stronger in 2008, yet the majority want to invest more funds in the sector.

"To see that a majority of investors are still planning to increase real estate holdings and that the percentage is higher than last year is a strong validation that they are separating capital markets issues from commercial real estate fundamentals," says Harvey Green, president and CEO of Marcus & Millichap Real Estate Investment Services.

The survey, dubbed the 2008 Real Estate Investor Outlook, was conducted jointly by National Real Estate Investor, Marcus & Millichap and Countrywide Commercial. This is the fifth year in a row this exclusive survey has been

## Survey Methodology

The fifth annual Real Estate Investor Outlook was conducted by *National Real Estate Investor*, Marcus & Millichap Real Estate Investment Services and Countrywide Commercial. Surveys were sent by mail in August of 2007 to private and institutional investors as well as developers across all major commercial property sectors throughout the United States. Responses from 1,004 participants were compiled by NREI's independent research group.

The survey has been conducted annually for the past five years to:

1. Assess investors' firsthand review of current market conditions by sector
2. Examine future expectation of performance by sector including income and pricing
3. Determine investors' appetite for future investments
4. Establish investors' assessment of risk including the economy and capital markets

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administered to U.S. real estate investors.

The survey reveals that 62 percent of respondents plan to increase allocations in real estate over the next 12 months compared to 60 percent in 2006, 69 percent in 2005 and 74 percent in 2004. Only 7 percent of real estate investors plan to decrease their investments in real estate over the next 12 months (see figure 1, at right).

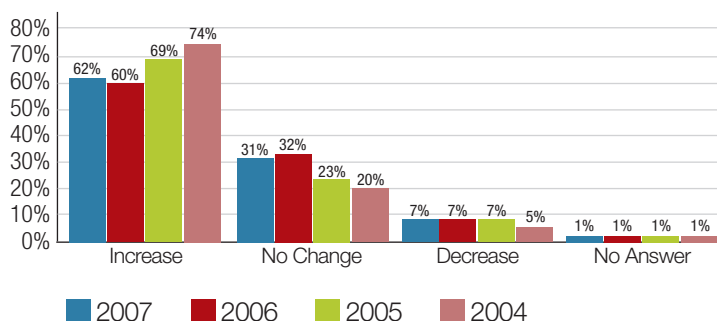
“Investors are going to invest more in real estate because pricing is more attractive and they’ll be able to get slightly higher yields,” says Chris Tokarski, managing director of Countrywide Commercial’s real estate finance group. Of the investors who plan to increase their real estate holdings, the average estimated increase is 21 percent.

“Availability and cost of debt may have changed, but healthy occupancies, rent growth, lack of overbuilding and moderation in prices are the drivers behind the optimism,” adds Green.

Investment sales activity in 2007 is on pace to eclipse 2006’s \$356 billion, according to Real Capital Analytics Inc. As of October 1, the New York-based research firm, which tracks all deals \$5 million and above, had recorded \$356 billion in sales of the five main property types (office, apartment, retail, industrial and hotel).

**FIGURE 1. INVESTORS TO SPEND MORE IN 2008**

Do you plan to increase or decrease your commercial real estate investment in the next 12 months?



For the first two quarters of 2007, U.S. commercial property provided a cumulative return of 8.21 percent and is on track to at least meet the 2006 annual return of 16.6 percent, according to the National Council of Real Estate Investment Fiduciaries.

“People who have invested in real estate over the past several years have enjoyed really good returns,” says Rick Cavanaugh, president and COO of Fifield Cos., a Chicago-based developer and owner that specializes in multifamily and office properties. “We believe there will still be ample capital flowing into the real estate sector because returns will still be pretty strong, even as they come off the levels where they were.”

In order to gain an in-depth understanding of investor attitudes and expectations about the commercial real estate industry, NREI, Marcus & Millichap and

Countrywide Commercial collected data from August 16 to September 17, 2007. Similar to previous years, private investors account for the largest group of survey participants (45 percent). This year’s survey also questioned a large number of developers – roughly 13 percent of overall respondents. The survey also includes the views of 92 institutional investors.

Respondents have an average of 19 years’ experience in the industry and an average of \$36.6 million invested in real estate. On average, 62 percent of respondents’ portfolios are allocated to real estate.

#### Among the key findings:

- Only 16 percent of respondents predict the economy will be stronger in 2008 than it was in 2007. Another 41 percent expect the economy will stay the same, while 42 percent expect

it will be weaker. When compared to respondent responses from previous years, this survey indicates concerns about the economy have grown significantly since 2004 when 63 percent expected the economy to be stronger over the next 12 months and only eight percent expected it to be weaker (see figure 2, at right).

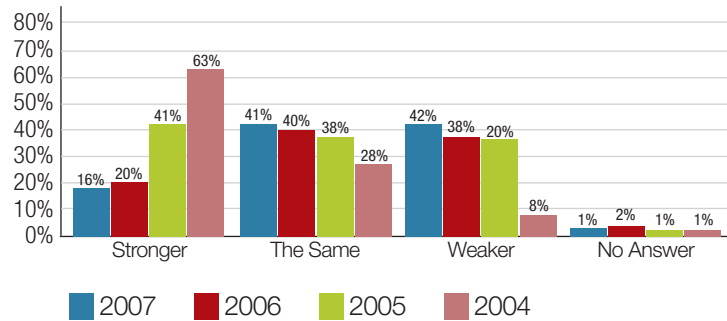
- Availability and cost of financing moved up to the top concern for 2008. Unforeseen shocks to the economy rank as the second-highest concern among all groups except developers; 43 percent of developers express concern over rising interest rates (see figure 3, page 4).

- Investors are optimistic about rental increases, although not as much as they've been in the past. Seventy-eight percent of respondents expect to see an increase in effective rents for one or more property types compared to 84 percent in 2006. Investors feel most positive about rental increases in the apartment sector.

- Replacement cost continues to be a key criterion for investors when they make acquisitions. Almost 90 percent of investors agree that replacement value is important. Nearly two-thirds of respondents indicate their most recent acquisition was at or below replacement cost, while 12 percent of respondents say

FIGURE 2. ECONOMIC OUTLOOK: SLOWDOWN TO CONTINUE

Do you believe the economy will be stronger, the same or weaker 12 months from now?



their acquisitions were above replacement costs.

- Sixty-one percent of respondents say that returns are artificially low, with 38 percent predicting that returns will rise back to long-term averages as conditions change and 23 percent forecasting returns will rise as conditions change but will not reach long-term average levels.

### HOUSING HURTS

John Donne's famous quote "No man is an island" definitely applies to the commercial real estate industry. Despite the industry's insistence that the troubles in the residential real estate market had absolutely nothing to do with it, the commercial real estate sector has suffered.

"The commercial real estate industry has caught a cold from all the coughing and sneezing of the housing market, which

is deathly ill," notes Dennis Yeskey, national director of Deloitte & Touche LLP's Real Estate Capital Markets Group.

Although everyone had high hopes the U.S. housing market would have a soft landing, increased foreclosures and the meltdown in the residential mortgage market caused the housing sector to crash-land. Even worse, the residential mortgage crisis spread to the rest of the credit markets, infecting everything from corporate bonds to commercial mortgage-backed securities (CMBS).

Most survey respondents believe the housing market will be unstable for at least 12 more months. In fact, only 14 percent of investors say the housing market will stabilize within the next few months.

Housing starts fell 2.6 percent in August to 1.3 million as the downswing in the housing mar-

ket continued, according to the U.S. Commerce Department. Starts were down 19.1 percent from a year earlier, falling to the lowest level in 12 years. In August, existing inventory reached the highest level since February 1988 with an inventory-sales ratio of 9.8 months, according to the Mortgage Bankers Association (MBA).

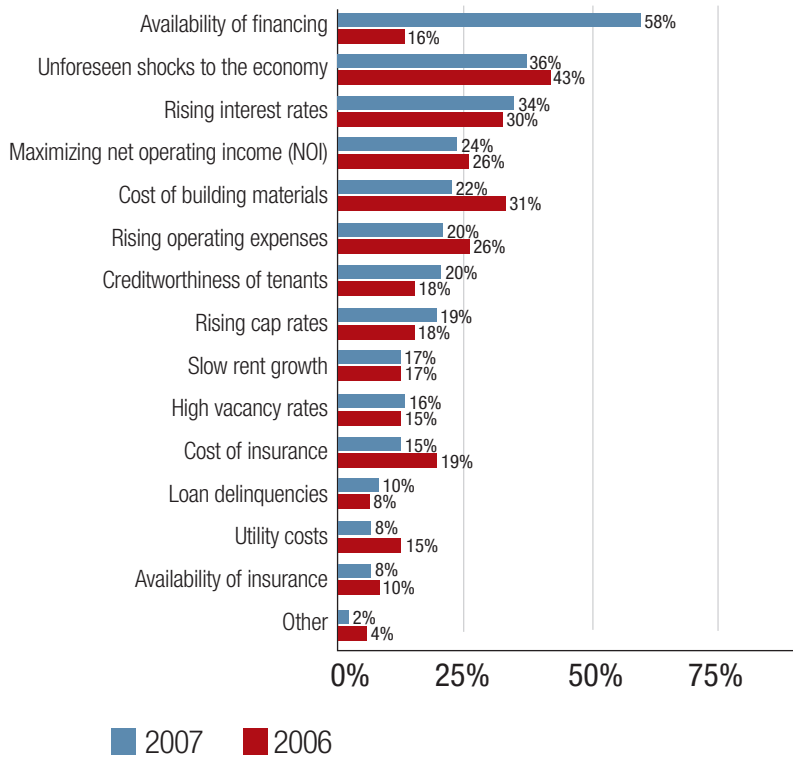
Dennis Lockhart, president of the Federal Reserve Bank of Atlanta, believes that the bottom of the housing downturn could arrive during the second half of 2008 or even later.

That’s not good news for the U.S. economy, especially when you consider that prior to the recent downturn in housing, there were 10 prior housing declines during the postwar period and all but two of them were followed by a recession. (The exceptions were the housing declines in 1950 and 1966 when major increases in defense spending helped keep the economy afloat.)

In fact, the outlook for U.S. growth has deteriorated due to the weak housing market and increasing concerns of defaults on subprime mortgages. RREEF Research is forecasting economic growth of just 1.8 percent in 2007, and 2.2 percent in 2008 compared to 2.9 percent in 2006 and 3.1 percent in 2005. Consumer spending is expected to

**FIGURE 3. TOP CONCERNS OF REAL ESTATE INVESTORS**

As a real estate owner/investor, please identify your top three concerns over the next 12 months.



drop from 2.8 percent this year to 2.3 percent in 2008, and unemployment is expected to rise from 4.6 percent to 5.1 percent.

“There is no doubt that the economy is more vulnerable to any additional disruptions after the credit-tightening that has occurred,” says Hessam Nadji, senior vice president and managing director of Marcus & Millichap Research Services. “We don’t believe the housing downturn has bottomed, and that will be a drag on the economy well into 2008. However,

strength elsewhere, particularly corporate balance sheets, profits, business investments and exports should result in a slow-down rather than a recession.”

### FINANCING WORRIES

Still, there are ongoing concerns about the credit markets for both residential and commercial real estate. In fact, availability of financing is the top concern for respondents in this year’s survey. Last year, only 16 percent of respondents were worried about it – more were



concerned about the economy and cost of building materials.

Six out of 10 respondents say debt financing will be harder to get over the next 12 months, which compares to just 35 percent in 2006 (see figure 4, at right). And they have every right to be spooked by what's happened in the capital markets.

"There's a global liquidity crisis in all asset classes that is going to make financing much more difficult," Tokarski says.

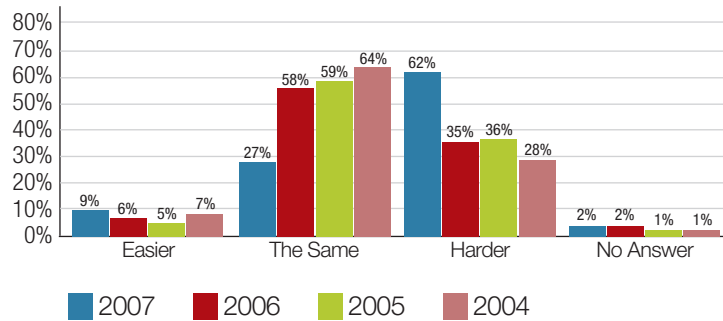
In mid-summer, the CMBS market all but shut down as bond buyers exited the market, leaving billions of dollars' worth of CMBS paper in "warehouses" and forcing many borrowers to pursue debt financing from portfolio lenders including life insurance companies. At their worst, CMBS spreads had widened to swaps plus 70 basis points for 10-year triple-A bonds, while triple-B- spreads widened to swaps plus 425 basis points.

"I would describe the capital markets' adjustment to commercial real estate as an overreaction to the residential subprime issue," Green says, adding that he expects the capital markets to settle down and spreads to decline eventually. "But they will not go back to their pre-July 2007 conditions."

Before the subprime meltdown and subsequent credit crisis, \$136.7 billion of CMBS

**FIGURE 4. DEBT FINANCING TO GET MORE DIFFICULT**

Do you anticipate debt financing will be easier to secure, the same or harder to secure 12 months from now?



loans were originated during the first half of 2007, an increase of 55 percent from the same period in 2006, according to MBA.

As of early October, CMBS lenders were still working through much of the warehoused paper. But only \$10 billion worth of CMBS bonds were priced in September, less than half of the \$26 billion that was initially projected, according to RBS Greenwich Capital, one of the world's largest CMBS issuers.

Many of the deals that were slated for September were expected to come to market in October, pushing projected issuance to \$34.2 billion. If no other deals come to market in 2007, domestic issuance will total \$245.4 billion, or 21 percent above 2006's total, according to RBS Greenwich Capital. The firm initially projected 2007 issuance at \$290 billion.

Fortunately, there are signs

that the CMBS market is calming down. Fixed-rate CMBS spreads tightened in early October, with triple-A spreads reaching swaps plus 55 basis points. The tightened spreads, along with lower interest rates, mean investors' cost of debt has decreased.

"By the beginning of the second quarter 2008, I think the upheaval in the credit markets will work its way out, but the stricter underwriting will be here to stay," says R. Craig Butchenhart, president of NorthMarq Capital Inc., one of the largest mortgage banking firms in the nation.

In fact, underwriting standards today are much more conservative than they were in 2006 and early 2007. Ratings agencies Fitch Ratings and Moody's Investors Service both issued reports earlier this year indicating that conduit lenders had become too aggressive in their underwriting and loan terms,

putting CMBS investors at risk.

“Over the last five years, anyone who could breathe could get a loan and could buy real estate,” Tokarski says, adding that investors are going to have a much harder time raising debt and equity in today’s market.

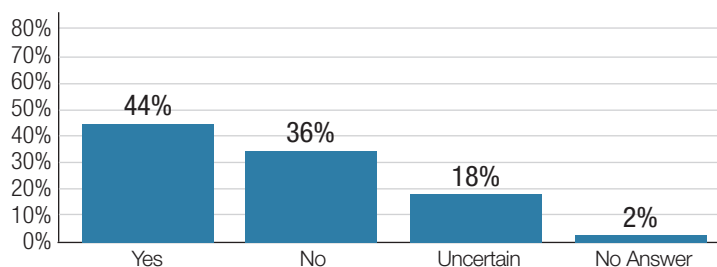
Previously, many loans were based on projected income streams rather than current income streams. Borrowers routinely closed highly leveraged loans, with loan-to-value ratios exceeding 80 percent. Moreover, interest-only loans (IO) were easy to come by, with many borrowers obtaining 10-year IOs.

Today, loan-to-values have returned to more traditional levels in the 70 percent range, while IO provisions have all but disappeared. “This was a much-needed adjustment that will make our industry much stronger,” says Scott Derrick, chief acquisitions officer of SCI Real Estate Investments, a Los Angeles-based tenant-in-common (TIC) sponsor that is scheduled to make roughly \$550 million in acquisitions this year.

The stricter underwriting standards and lower leverage limits are good news for SCI Investments and other investors with long track records that aren’t overly debt-dependent. “If you can find the right deals and can align your-

#### FIGURE 5. INVESTORS SPLIT ON PEAK FOR COMMERCIAL REAL ESTATE PRICING

In your view, has the commercial real estate industry reached a peak in pricing?



self with financing, it can be a good opportunity to invest,” says William Hughes, senior vice president of Marcus & Millichap Capital Corp. “It’s a better environment for sophisticated investors because lenders are going to back borrowers with more experience and a longer track record.”

#### FROTHINESS FADES

The challenging debt markets and tighter underwriting standards are expected to impact asset pricing and cap rates.

“We’ve seen the highly leveraged buyers leave the market because they haven’t been able to close loans,” Derrick says. “That means there’s less competition and less pressure on pricing.” In fact, SCI hopes to invest \$700 million in real estate in 2008.

San Diego-based office and industrial investor Equastone also has high hopes for 2008 and is targeting a total investment of

\$1 billion, says chief investment officer Jeff Schindler. The firm had similar goals for 2007 but is “proceeding with caution” to make sure its acquisitions are priced appropriately. “Since the highly leveraged buyers have been sidelined, the market has lost some of its frothiness,” he explains. “There’s still some NOI growth that supports strong pricing, but there aren’t as many buyers showing up.”

While respondents are split on whether pricing for commercial property has reached a peak – 44 percent of respondents say yes and another 36 percent say no – most do anticipate a decrease in pricing for most property types (see figure 5, above).

That response is a big change from last year’s survey when the majority of respondents expected pricing to increase for all property types except for grocery-anchored retail and regional malls (see figure 6, page 7).

“I think we are entering a pe-

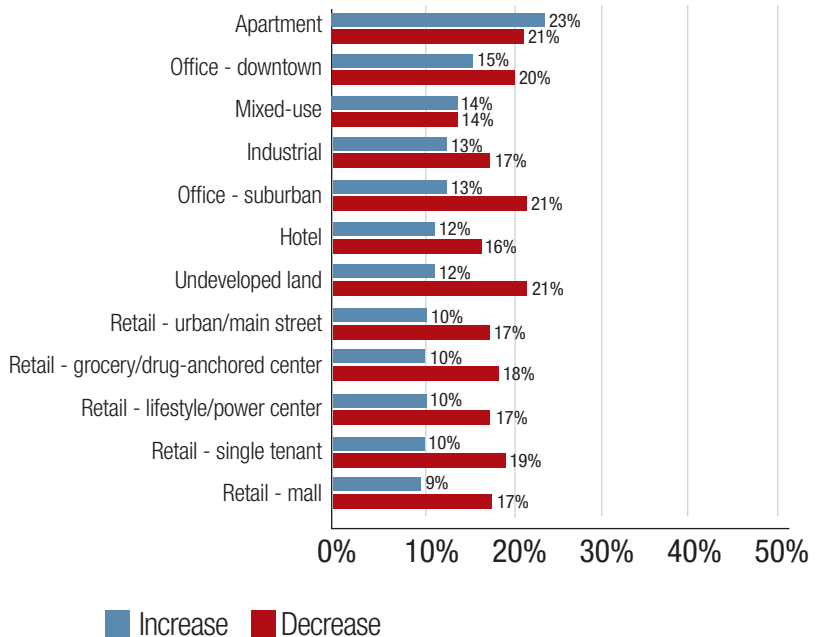
riod of realignment between the rate of price appreciation and rent growth, but to say we have peaked implies prices across the board will stagnate or fall, and I do not believe that will be the case because of healthy fundamentals,” Green says.

In fact, Green expects rents to continue to grow across most property types, although the pace will be slower than it has been for the past several years. “The recovery period is behind us for office, apartments, industrial and hospitality, creating a more normalized market rather than a recovering market in which vacancies have a long way to drop and rents have a long way to climb. Retail, which never had a downturn, is now more likely to experience slower rent growth because of weakness in housing,” he explains.

Additionally, the slowing economy will reduce the pace of

**FIGURE 6. MARKETING PRICING PREDICTIONS:  
APARTMENT ALONE AT THE TOP**

Over the next 12 months, do you expect the market pricing of each property type to increase, remain the same or decrease?



Yeskey says. “But we won’t see any decreases either.” The majority of respondents agree – four out of five do not expect a decrease in the effective rents

replacement costs. “It still costs far more to build a building than it does to buy an existing one, not to mention the difficult approval process in most markets,”

*Additionally, the slowing economy will reduce the pace of absorption, and in some markets – such as those that are vulnerable to financial services or mortgage industry cutbacks – vacancies will rise and rent growth will stall, at least temporarily.*

absorption, and in some markets – such as those that are vulnerable to financial services or mortgage industry cutbacks – vacancies will rise and rent growth will stall, at least temporarily.

“It all depends on the economy, and if the economy slows, we won’t see any rent growth,”

for any property type. In fact, 78 percent of respondents expect to see an increase in effective rents for one or more property types with apartments leading the way (see figure 7, page 8).

In addition to healthy fundamentals, commercial property valuations are well-supported by

Nadji points out. “Replacement cost is still well above acquisition pricing in most markets and property types.”

And although construction costs may not be increasing at the rapid pace they were six to eight months ago, they’re still high enough to make development

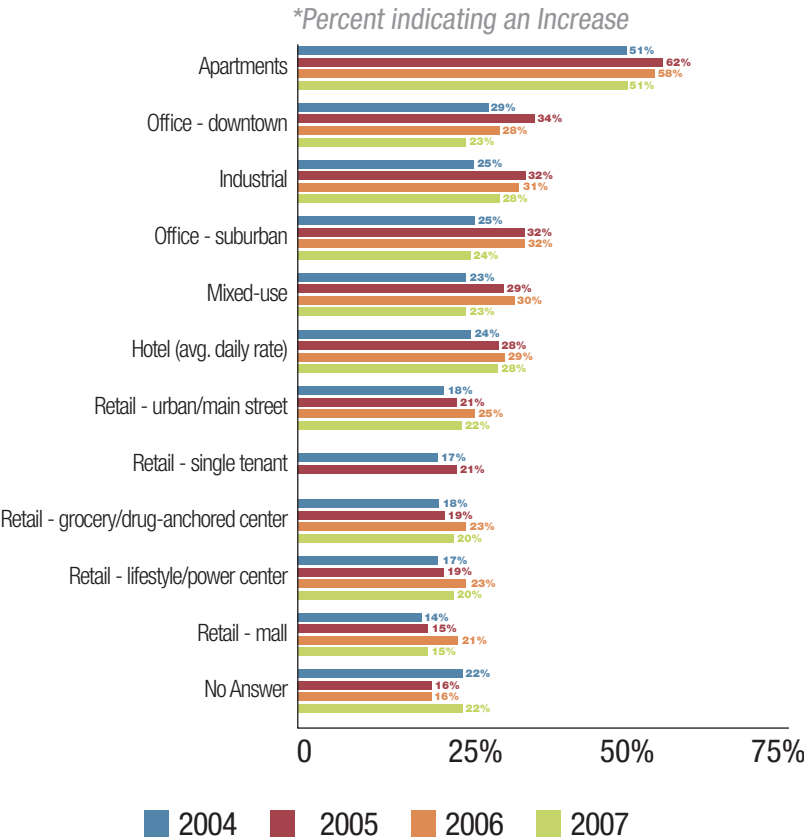
more difficult than acquisition.

“I expect there is going to be less development in 2008 because construction financing is much more difficult to get,” Tokarski says. “If a project is not already under way, I doubt it will break ground without pre-leasing.”

Last year, construction costs were one of the top three concerns for survey participants. This year, worries about construction costs were less acute. However, seven out of 10 respondents experienced an increase in construction costs over the past 12 months, and more than half expect an increase in the next 12 months. The survey suggests that construction costs increased an average of 16 percent. Going forward, respondents forecast construction costs to increase six percent.

FIGURE 7. EFFECTIVE RENT PREDICTIONS

Twelve months from now, do you expect effective rents to increase, remain the same or decrease for each of the following property types?



*In fact, only eight percent of respondents expect a major pricing correction, while 90 percent expect there to be a minor or modest pricing correction for commercial real estate assets.*

Many experts say the slowdown in single-family housing construction has decreased demand for commonly used building materials, therefore mitigating extreme price increases. However, construction costs continue to be a big concern for Chicago-based Fifield Cos., which develops high-rise apart-

ments and office buildings.

“Demand for concrete and steel hasn’t dropped off because there are still a lot of projects under development that use these materials – particularly public projects,” Cavanaugh says, adding that global demand for these building products continues to be high as well.

All of these market dynamics make a substantial price correction unlikely. In fact, only eight percent of respondents expect a major pricing correction, while 90 percent expect there to be a minor or modest pricing correction for commercial real estate assets.

Tokarski forecasts a five per-

*continued on page 10*

## PARTY OVER FOR PRIVATE EQUITY?

During 2006 and 2007, the U.S. REIT market experienced the biggest privatization wave the industry has ever experienced, but now real estate players wonder whether the credit crunch will paralyze private equity buyers in 2008.

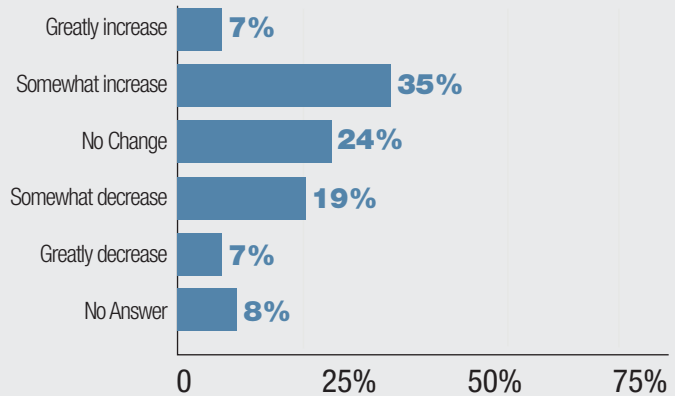
A survey conducted jointly by National Real Estate Investor, Marcus & Millichap Real Estate Investment Services and Countrywide Commercial reveals that real estate investors expect private equity to be active in the upcoming 12 months. Overall, 42 percent of respondents expect private equity firms to increase investments in commercial real estate, but the environment will be more challenging (see chart).

“Private equity investors are going to be much pickier and will only invest at higher growth assumptions,” predicts Chris Tokarski, managing director of Countrywide Commercial’s real estate finance group.

Over the past 18 months, more than 30 REIT privatizations have closed or been announced for a total investment of more than \$133 billion. The biggest was The Blackstone Group’s buyout of Equity Office Property Trust for \$39 billion. In 2000, only seven privatization deals were

### PRIVATE EQUITY INVESTMENT ENVIRONMENT TO FACE CHALLENGES

What is your outlook for new investment by private equity firms in commercial real estate over the next 12 months?



announced totaling \$11 billion, according to SNL Financial.

Depressed stock valuations have provided opportunities for large private equity firms to acquire public companies for significant bargains, but the motivation on the REIT side just doesn’t exist today, primarily because of the beating the REIT stocks have taken in the public markets, according to Alan George, chief investment officer for Equity Residential.

“How many boards are going to give their company away at a price below what their stock traded at a few months ago and for less than the net asset value?” he asks.

During the second quarter 2007, U.S. REITs posted a -9.3 percent total return, according to the National Association of Real Estate

Investment Trusts. The year-to-date total return is -5.8 percent.

Private equity buyouts were facilitated by cheap and abundant debt, which has dried up as the credit market suffers from the pall cast by the subprime meltdown and lenders have tightened their underwriting standards, says Scott Derrick, chief acquisitions officer of SCI Real Estate Investments, a Los Angeles-based tenant-in-common (TIC) sponsor.

“There’s no way a deal like Blackstone’s acquisition of Equity Office could be done today,” he asserts.

George agrees: “If you went to a big bank today and asked for the cash to do a big buyout, they would say, ‘Come back in two years.’ I don’t think they’re open for business today for those kinds of deals.”

continued from page 8

cent to 10 percent decrease in pricing for top-tier real estate and a 10 percent to 15 percent decrease for assets in secondary and tertiary markets. If the market does experience a 10 percent pricing correction, that 10 percent corresponds directly to the appreciation commercial property experienced from fourth quarter 2006 through first quarter 2007 when underwriting was at its most aggressive.

“Many buyers have become more cautious – as have lenders – and there is much more focus on real income as opposed to aggressive pro forma expecta-

7.12 percent.

The upward pressure on cap rates comes from the credit crunch and the looming threat of recession, Nadji says, adding that cap rates for top-tier properties are not expected to rise more than 25 basis points while cap rates for lower-tiered properties and markets will increase 50 basis points to 75 basis points.

Bob Dougherty, chief acquisitions officer with Buchanan Street Partners, has already seen a 25-basis-point increase in cap rates. “Many cap rates have been predicated on the availability of cheap debt, and that’s driven pricing to

## APARTMENT APPEAL

Apartments and mixed-use assets are the most attractive to respondents. In fact, 33 percent of them say they’ll enter the apartment sector in the next 12 months, and 19 percent indicate they’ll enter or expand into the mixed-use sector. Office properties and retail assets rank far lower with investors, according to the survey.

Investors are increasingly interested in the apartment sector. In 2004, for example, roughly \$51 billion worth of apartment assets changed hands in the U.S. – about \$1 billion less

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*Over the past several years, apartments have been widely embraced by institutional investors and real estate investment trusts (REITs), and continue to appeal to private investors and high net-worth individuals.*

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tions,” Green explains. He, too, expects buyer demand and pricing for higher-quality assets in primary markets will remain strong, while lower-quality assets will see more of an adjustment, especially in secondary and tertiary markets.

Respondents expect cap rates to increase for all property types over the next 12 months, but the increase is expected to be slight – only 29 basis points. As of early October, the average cap rate for commercial property was 6.94 percent, according to Real Capital Analytics. In 2006, the average cap rate was

artificially high levels,” he notes. “We’ve been underwriting a 100-basis-point increase in cap rates for almost two years because we’ve been expecting a correction. Now we think cap rates will return to historical norms of 200 [basis points] to 300 basis points over Treasuries.”

But NorthMarq’s Butchenhart is less confident that returns will ever return to historic levels. “Real estate is recognized as a strong asset class by most investors today, so returns are not going to go back to where they were when investors didn’t recognize the asset class,” he says.

than the volume of transactions during the first three quarters of 2007, according to Real Capital Analytics.

Today, much of the investor interest in apartments is driven by the weakness in the housing sector and continued upheaval in the mortgage markets. “With both the condo market and the single-family home market falling apart, people have to live somewhere, so they’re going to rent apartments,” Yeskey points out.

Buchanan Street Partners is bullish on the apartment sector, Dougherty says, and plans to



grow its portfolio by investing in the multifamily sector. “We like the demographic and demand trends in the sector because affordability of single-family housing is out of reach of many people,” he explains. This year, the company is on track to close \$325 million to \$350 million in new equity investments. Next year, it is shooting for \$400 million to \$450 million.

Dougherty, along with many other investors, expects apartments to benefit from increased pricing and rental rates. In fact, three out of four respondents who are currently invested in apartment properties predict an increase in effective rents, and nearly one-third expect to see an increase in the market pricing of apartment properties. More than half of those who invest in apartments expect a slight or major increase in cap rates.

As of October, the average cap rate for apartment properties was six percent and the average price per unit was \$104,857, according to Real Capital Analytics. To compare, the average cap rate in 2004 was 8.66 percent and the average price per unit was \$67,776.

Alan George, chief investment officer for Equity Residential, says cap rates for Class B and C apartment properties have increased 25 basis points and 75 basis points, respectively, since

mid-summer. “I think cap rates for those types of assets has plateaued, and I wouldn’t expect more of an increase in 2008,” he notes, adding that Class A cap rates have moved very little.

Some industry experts are less enamored of apartments. Yes-key, for example, feels apartment cap rates are too low for most investors to make a good return. “I really worry about the cap rates on apartments – investors better be sophisticated operators because there’s not a lot of juice there,” he says.

Beyond apartments, Nadji says there are investment opportunities in office and retail. “The office market still has a lot of room to run, and the concerns about the retail sector are overstated,” he contends.

Nadji points out that the office leases that were signed from 2002 to 2004 were at the bottom of the market. “When tenants renew in the future, there is a mark to market that should result in higher rental rates and revenue increases,” he explains. Three in five downtown office investors expect effective rents to increase, and nearly half of suburban office investors expect rents to increase. These numbers are consistent with the 2006 findings.

As for the retail sector, Nadji admits that there are some valid concerns about consumer

spending, which has dropped off significantly this year. But he contends that retail sales are still growing and retail fundamentals are still strong. Most projects that are under development are preleased, preventing serious overbuilding in most markets and keeping the expected rise in retail vacancies moderate.

Property types aside, Nadji expects continued investor interest in properties that they can renovate, redevelop or expand. Nearly half of respondents (45 percent) plan to acquire properties specifically for redevelopment, renovation or expansion. More than two-thirds of developer respondents (70 percent) plan to acquire properties for this purpose. SCI, for example, is raising a \$50 million fund specifically to invest in value-added properties in infill locations.

“In a low-yield environment, it is not surprising to see the appetite for value-add investments, but these types of assets will be harder to finance because of the risk level,” Nadji says. “For investors with cash and a higher tolerance of risk, value-added properties will present a great opportunity.”

George agrees: “I think the value-added sector is a more difficult business today than it has been in the past, but rehabs of quality assets in quality locations always make sense.”



## APPENDIX III: COSTAR RICHMOND RETAIL MARKET REPORT

# THE CoSTAR RETAIL REPORT

MID-YEAR 2007

## Richmond VA Retail Market



# RICHMOND VA RETAIL MARKET



## TABLE OF CONTENTS

Table of Contents .....	<b>A</b>
Methodology .....	<b>B</b>
Terms & Definitions .....	<b>C</b>
Market Highlights & Overview .....	<b>1</b>
CoStar Markets & Submarkets .....	<b>3</b>
Inventory & Development Analysis	
Select Top Deliveries	
Select Top Under Construction Properties	
Figures at a Glance .....	<b>8</b>
Figures at a Glance by Building Type & Market	
Figures at a Glance by Building Type & Submarket	
Historical Figures at a Glance	
Leasing Activity Analysis	
Select Top Lease Transactions	
Analysis of Individual CoStar Markets .....	<b>15</b>
Downtown Market	
Goochland Market	
Northeast Market	
Northwest Market	
Powhatan Market	
Prince George Market	
Southeast Market	
Southwest Market	
TriCities Market	



# RICHMOND VA RETAIL MARKET

## METHODOLOGY

The CoStar Retail Report calculates Retail statistics using CoStar Group's base of existing, under construction and under renovation Retail buildings in each given metropolitan area. All Retail building types are included, including Community Center, Freestanding Retail, Neighborhood Center, Power Center, Regional Mall, Specialty Center and Unanchored Strip Center, in both single-tenant and multi-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 33.6 billion square feet of coverage in 1.2 million properties. All rental rates reported in the CoStar Retail Report are calculated using Triple Net (NNN) rental rates.

**For information on subscribing to CoStar's Advisory reports, or for information on CoStar's other products and services, please contact us at 1-877-7COSTAR, or visit our web site at [www.costar.com](http://www.costar.com)**

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# RICHMOND VA RETAIL MARKET



## TERMS & DEFINITIONS

**Anchor Tenant:** A large national or regional retailer that serves as a primary draw for a shopping center; a store strategically located in a retail property in order to enhance, bring attention to, or increase traffic at the property. Sometimes called a “destination” tenant, usually these tenants lease at least 25,000 SF.

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year’s net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**Community Center:** A shopping center development that has a total square footage between 100,000 – 350,000 SF. Generally will have 2-3 large anchored tenants, but not department store anchors. Community Center typically offers a wider range of apparel and other soft goods than the Neighborhood Center. Among the more common anchors are supermarkets and super drugstores. Community Center tenants sometime contain retailers selling such items as apparel, home improvement/furnishings, toys, electronics or sporting goods. The center is usually configured as a strip, in a straight line, or an “L” or “U” shape.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Freestanding Retail:** Single tenant building with a retail tenant. Examples include video stores, fast food restaurant, etc.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**General Retail:** Typically are single tenant freestanding general-purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don’t meet any of the more detailed use code descriptions.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Landlord Rep:** (Landlord Representative) In a typical lease trans-

action between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Lifestyle Center:** An upscale, specialty retail, mainstreet concept shopping center. An open center, usually without anchors, about 300,000 SF GLA or larger, located near affluent neighborhoods, includes upscale retail, trendy restaurants and entertainment retail. Nicely landscaped with convenient parking located close to the stores.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different tenant needs. (See also: Tenancy).

**Neighborhood Center:** Provides for the sales of convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day living needs of the immediate neighborhood with a supermarket being the principal tenant. In theory, the typical GLA is 50,000 square feet. In practice, the GLA may range from 30,000 to 100,000 square feet.

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Outlet Center:** Usually located in a rural or occasionally in a tourist location, an Outlet Center consists of manufacturer’s outlet stores selling their own brands at a discount. 50,000 – 500,000 SF. An Outlet Center does not have to be anchored. A strip configuration is most common, although some are enclosed malls and others can be arranged in a village cluster.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Power Center:** The center typically consists of several freestanding (unconnected) anchors and only a minimum amount of small specialty tenants. 250,000 – 600,000 SF. A Power Center is dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or “category killers,” i.e., stores that offer tremendous selection in a particular merchandise category at low prices.

## RICHMOND VA RETAIL MARKET

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Regional Mall:** Provides shopping goods, general merchandise, apparel, and furniture, and home furnishings in full depth and variety. It is built around the full-line department store with a minimum GLA of 100,000 square feet, as the major drawing power. For even greater comparative shopping, two, three, or more department stores may be included. In theory a regional center has a GLA of 400,000 square feet, and may range from 300,000 to more than 1,000,000 square feet. Regional centers in excess of 750,000 square feet GLA with three or more department stores are considered Super Regional. (See also: Super Regional Mall).

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Specialty/Festival/Entertainment Center:** These centers typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandise. Sometimes the biggest appeal of these centers is to tourists; they can be anchored by restaurants and entertainment facilities. These centers, generally located in urban areas, tend to be adapted from older, sometimes historic, buildings, and can be part of mixed-use projects. 80,000 – 250,000 SF.

**Sports & Entertainment:** A facility suited for recreational activities, including: Amusement Facility, Aquatic Facility/Swimming Pool, Bowling Alley, Casino/Gaming Facility, Equestrian Center/Stable, Fitness, Court and Spa Facility, Golf Related, Racetrack, Skating Rink, Ski Resort, Sports Arena/Stadium, and Theatre/Performing Art Facility.

**Strip Center:** A strip center is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores. Open canopies may connect the storefronts, but a strip center does not have enclosed

walkways linking the stores. A strip center may be configured in a straight line, or have an "L" or "U" shape.

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Super Regional Mall:** Similar to a regional mall, but because of its larger size, a super regional mall has more anchors, a deeper selection of merchandise, and draws from a larger population base. As with regional malls, the typical configuration is as an enclosed mall, frequently with multiple levels (See also: Regional Mall).

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Under Construction:** The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

## RICHMOND VA RETAIL MARKET

OVERVIEW



# RICHMOND VA'S VACANCY REMAINS UNCHANGED AT 5.7%

## Net Absorption Positive 48,897 SF in the Quarter

The Richmond VA retail market did not experience much change in market conditions in the second quarter 2007. The vacancy rate went from 5.7% in the previous quarter to 5.7% in the current quarter. Net absorption was positive 48,897 square feet, and vacant sublease space decreased by (28,676) square feet. Quoted rental rates changed from first quarter 2007 levels, ending at \$14.12 per square foot per year. A total of 1 retail centers with 30,000 square feet of retail space were delivered to the market in the quarter, with 1,401,600 square feet still under construction at the end of the quarter.

### Net Absorption

Retail net absorption was slightly positive in Richmond VA second quarter 2007, with positive 48,897 square feet absorbed in the quarter. In first quarter 2007, net absorption was negative (313,411) square feet, while in fourth quarter 2006, absorption came in at positive 34,287 square feet. In third quarter 2006, positive 412,961 square feet was absorbed in the market. The historical average for net absorption in Richmond VA's retail sector, when including all quarters since CoStar began tracking the market, averages to 70 square feet per quarter.

Tenants moving out of blocks of space in 2007 include: Kmart moving out of 68,337 square feet at 5702 Jefferson Davis Hwy; Movie Gallery moving out of 5,000 square feet at Shoppes at Bell Creek; and Vmac moving out of 3,600 square feet at 13720 Midlothian Tpke.

Tenants moving into large blocks of space in 2007 include: Ferguson Enterprises moving into 25,892 square feet at Winterpock Crossing; Bed Crafters moving into 13,000 square feet at Atlee Square; and Summer Classics moving into 10,410

square feet at 7905 W Broad St.

### Vacancy

Richmond VA's retail vacancy rate changed in the second quarter 2007, ending the quarter at 5.7%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 5.1% in the third quarter 2006, to 5.2% at the end of the fourth quarter 2006, 5.7% at the end of the first quarter 2007, to 5.7% in the current quarter.

The amount of vacant sublease space in the Richmond VA market has trended down over the past four quarters. At the end of the third quarter 2006, there were 177,531 square feet of vacant sublease space. Currently, there are 152,723 square feet vacant in the market.

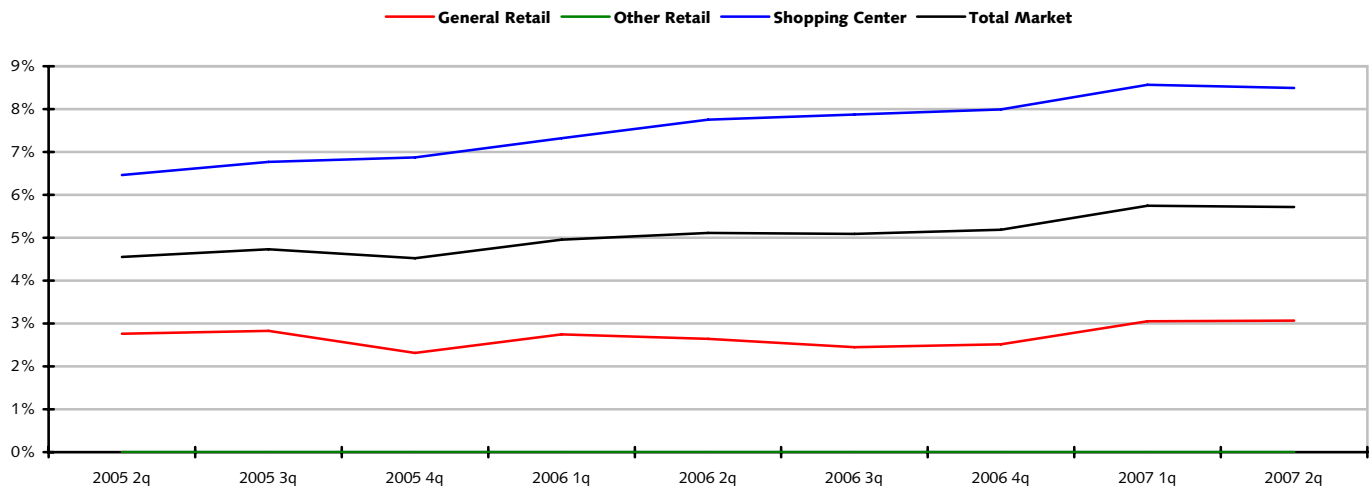
### Largest Lease Signings

The largest lease signings occurring in 2007 included: the 66,400 square foot lease signed by The Great Big Flea Market at Former Hannaford Grocery Store; the 57,902-square foot deal signed by Ollie's at 3970 Meadowdale Blvd; and the 37,625 square foot lease signed by Chesterfield Supermarket at Chestertowne Square Shopping Center.

### Rental Rates

Average quoted asking rental rates in the Richmond VA retail market are unchanged over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the second quarter 2007 at \$14.12 per-square-foot per year. That compares to \$14.12 per square foot in the first quarter 2007, and \$12.74 per square foot at the end of the third quarter 2006. This represents a 0.0% change in rental rates in the current quarter,

## VACANCY RATES BY BUILDING TYPE 2005-2007



Source: CoStar Property®



and a 9.77% increase from four quarters ago.

## Inventory & Construction

During the second quarter 2007, 1 buildings totaling 30,000 square feet were completed in the Richmond VA retail market. Over the past four quarters, a total of 618,225 square feet of retail space has been built in Richmond VA. In addition to the current quarter, 10 buildings with 61,132 square feet were completed in first quarter 2007, 6 buildings totaling 107,821 square feet completed in fourth quarter 2006, and 419,272 square feet in 4 buildings completed in third quarter 2006.

There were 1,401,600 square feet of retail space under construction at the end of the second quarter 2007.

Some of the notable 2007 deliveries include: Shoppes at River Forest, a 30,000-square-foot facility that delivered in second quarter 2007 and is now 0% occupied, and Hull Street Retail Business Center, a 14,649-square-foot building that delivered in first quarter 2007 and is now 59% occupied.

The largest projects underway at the end of second quarter 2007 were Westchester Commons at Wakins Centre, a 975,000-square-foot building with 0% of its space pre-leased, and Short Pump Station - Buildings A-F, a 90,000-square-foot facility that is 100% pre-leased.

Total retail inventory in the Richmond VA market area amounted to 66,623,468 square feet in 5,360 buildings as of the end of the second quarter 2007.

## Shopping Center

The Shopping Center retail market in Richmond VA currently consists of 593 properties with 32,567,105 square feet of retail space.

After absorbing 53,803 square feet and delivering 30,000 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 8.6% at the end of the first quarter 2007 to 8.5% this quarter.

Over the past four quarters, the Shopping Center vacancy

rate has gone from 7.9% at the end of the third quarter 2006, to 8.0% at the end of the fourth quarter 2006, to 8.6% at the end of the first quarter 2007, and finally to 8.5% at the end of the current quarter.

Rental rates ended the second quarter 2007 at \$15.05 per square foot, up from the \$14.89 they were at the end of first quarter 2007. Rental rates have trended up over the past year, going from \$12.66 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 306,907 square feet over the past four quarters. In addition to the positive 53,803 square feet absorbed this quarter, negative (153,054) square feet was absorbed in the first quarter 2007, positive 61,805 square feet was absorbed in the fourth quarter 2006, and positive 344,353 square feet was absorbed in the third quarter 2006.

A total of 1,367,465 square feet of space was under construction at the end of the second quarter 2007.

## General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, reported a vacancy rate of 3.1% at the end of second quarter 2007. There was a total of 1,042,081 square feet vacant at that time. The General Retail sector in Richmond VA currently has average rental rates of \$11.70 per square foot per year. There are 34,135 square feet of space under construction in this sector, with 0 square feet having been completed in the second quarter. In all, there are a total of 4,765 buildings with 33,968,504 square feet of General Retail space in Richmond VA.

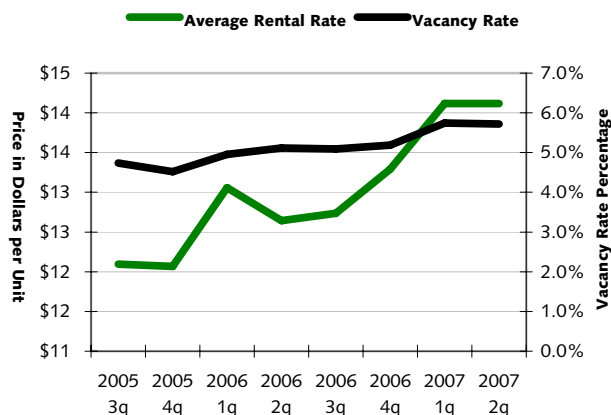
## Other Retail

The Other Retail property types including Sports & Entertainment and Specialty/Festival/Entertainment Centers in Richmond VA consist of 2 projects with 87,859 square feet of retail space.

Reports compiled by: David Eastep, CoStar Property® Research Manager, and Brion O. Ovuworie, CoStar Property® Senior Property Research Associate.

## U.S. VACANCY COMPARISON

### Past 8 Quarters



Source: CoStar Property®

## RICHMOND VA RETAIL MARKET



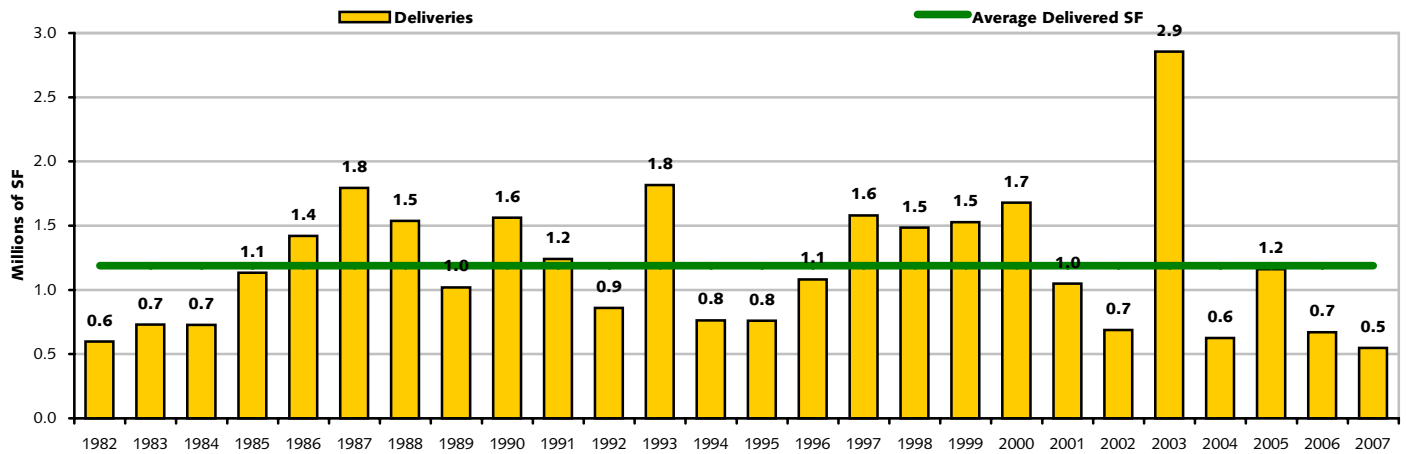
## MARKETS

## CoSTAR MARKETS &amp; SUBMARKETS

In analyzing metropolitan areas in the U.S., CoStar has developed geographic designations to help group properties together, called Regions, Markets and Submarkets. Regions are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are then divided into Markets, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Markets	Submarkets
Downtown Ret	Downtown Ret
Goodland Ret	Goodland Ret
Northeast Ret	I-95 Chamberlayne/NE Ret Laburnum/Rte 360 Ret Mechanicsville Ret
Northwest Ret	Broad St Corridor Ret Far West End North Ret Far West End South Ret I-95 Ashland/NW Ret Near West End Ret Regency Ret Short Pump Ret Staples Mill/Parham Ret Willowlawn Ret
Powhatan Ret	Powhatan Ret
Prince George Ret	Prince George Ret
Southeast Ret	East End Ret
Southwest Ret	Jeff Davis Corridor Ret Midlothian E/Hull St Ret Midlothian Village Ret Midlothian West Ret South Chesterfield Ret Swift Creek Ret
TriCities Ret	Colonial Heights Ret Hopewell Ret Petersburg Ret

### HISTORICAL DELIVERIES 1982 - 2007



Source: CoStar Property®

\* Future deliveries based on current under construction buildings.

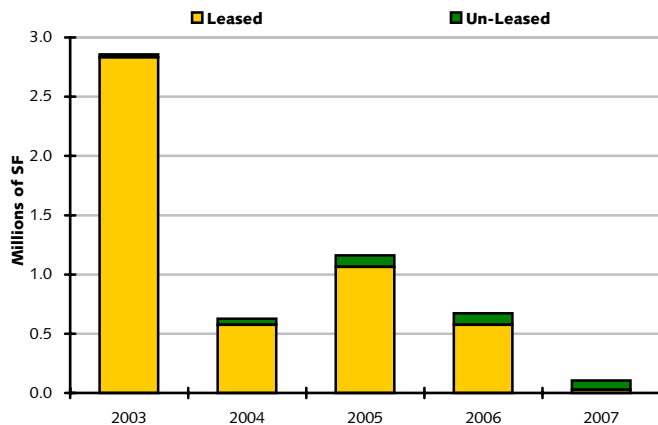
### CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Northwest Ret	8	1,119,180	19,761	1.8%	13,659	139,897
Northeast Ret	2	117,638	91,860	78.1%	9,063	58,819
Southwest Ret	9	87,932	36,013	41.0%	13,545	9,770
TriCities Ret	1	50,000	39,000	78.0%	18,054	50,000
Powhatan Ret	1	17,250	173	1.0%	27,081	17,250
Southeast Ret	1	9,600	1,536	16.0%	7,793	9,600
Goochland Ret	0	0	0	0.0%	13,093	0
Prince George Ret	0	0	0	0.0%	26,549	0
Downtown Ret	0	0	0	0.0%	8,287	0
<b>Totals</b>	<b>22</b>	<b>1,401,600</b>	<b>188,343</b>	<b>13.4%</b>	<b>12,430</b>	<b>63,709</b>

Source: CoStar Property®

### RECENT DELIVERIES

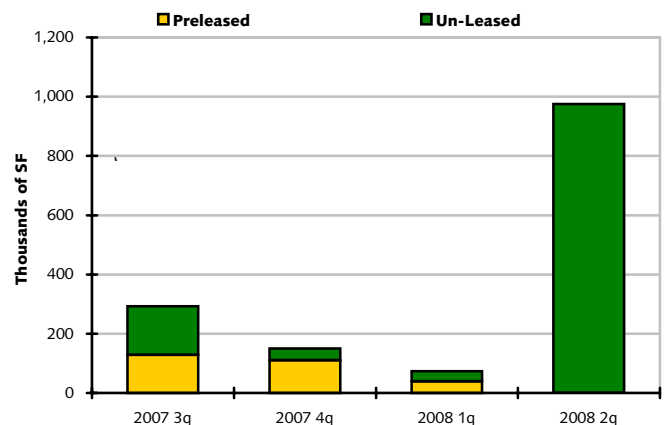
#### Leased & Un-Leased SF in Deliveries Since 2003



Source: CoStar Property®

### FUTURE DELIVERIES

#### Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

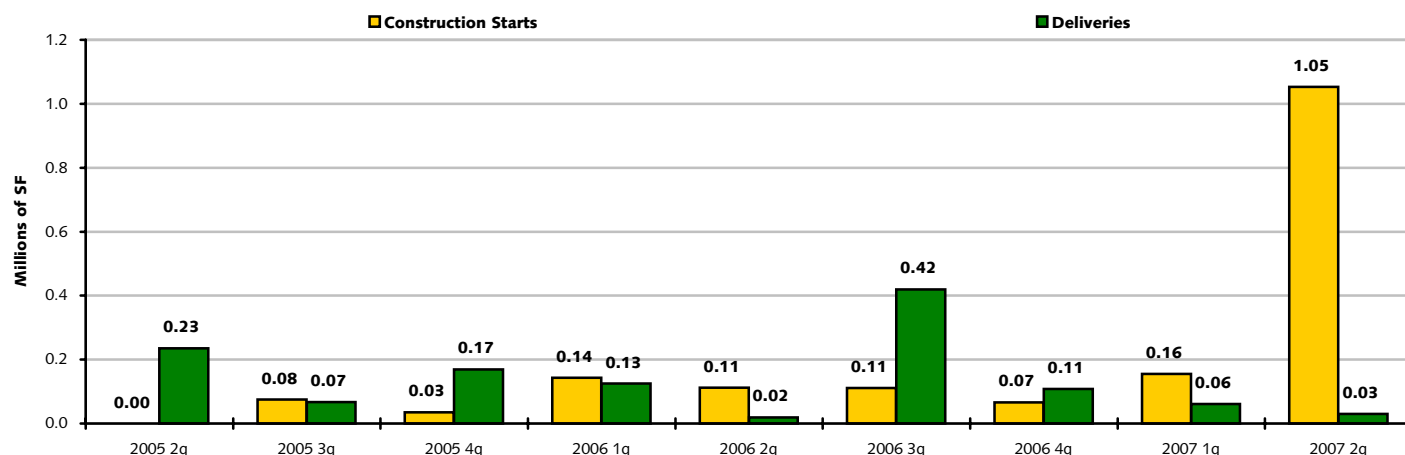
# RICHMOND VA RETAIL MARKET



## INVENTORY & DEVELOPMENT

### HISTORICAL CONSTRUCTION STARTS & DELIVERIES

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

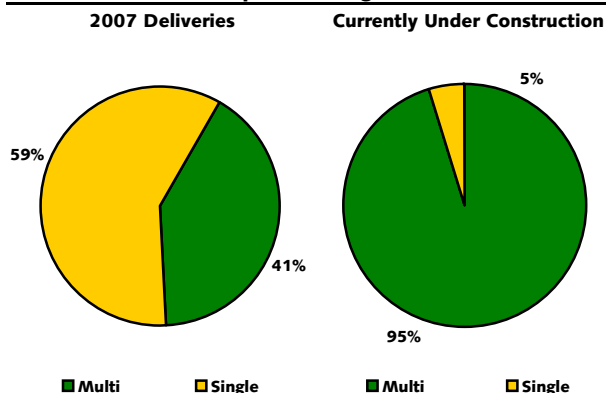
### RECENT DELIVERIES BY PROJECT SIZE OF YEAR-TO-DATE DEVELOPMENT

Building Size	# Bldgs	GLA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	12	104,862	27,186	25.9%	\$20.15	53,803	51,059
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	0	0	0	0.0%	\$0.00	0	0
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

Source: CoStar Property®

### RECENT DEVELOPMENT BY TENANCY

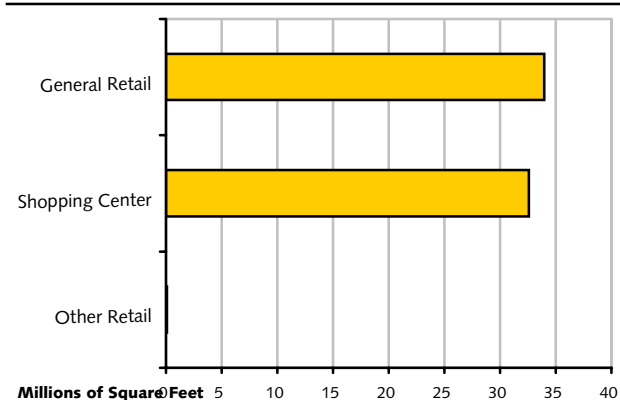
Based on GLA Developed for Single & Multi Tenant Use



Source: CoStar Property®

### EXISTING INVENTORY COMPARISON

Based on Total GLA



Source: CoStar Property®



# RICHMOND VA RETAIL MARKET

## INVENTORY & DEVELOPMENT

### SELECT YEAR-TO-DATE DELIVERIES

Based on Project Square Footage

<b>1. Shoppes at River Forest</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>30,000</b> Occupied: <b>0%</b> Quoted Rate: <b>\$22.00</b> Grnd Brk Date: <b>Third Quarter 2006</b> Deliv Date: <b>Second Quarter 2007</b> Leasing Co: <b>Thalhimer/Cushman &amp; Wakefield</b> Developer: <b>Wal-Mart Real Est Bus Trs</b>	<b>2. Hull Street Retail Business Center</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>14,649</b> Occupied: <b>59%</b> Quoted Rate: <b>\$15.00</b> Grnd Brk Date: <b>First Quarter 2006</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>Grubb &amp; Ellis/Harrison &amp; Bates</b> Developer: <b>N/A</b>	<b>3. 16400 Jefferson Davis Hwy</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>13,730</b> Occupied: <b>0%</b> Quoted Rate: <b>\$14.00</b> Grnd Brk Date: <b>Fourth Quarter 2006</b> Deliv Date: <b>Second Quarter 2007</b> Leasing Co: <b>Grubb &amp; Ellis/Harrison &amp; Bates</b> Developer: <b>N/A</b>
<b>4. Whistle Stop Junction</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>10,000</b> Occupied: <b>100%</b> Quoted Rate: <b>N/A</b> Grnd Brk Date: <b>Fourth Quarter 2006</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>N/A</b> Developer: <b>N/A</b>	<b>5. Whistle Stop Junction</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>7,879</b> Occupied: <b>70%</b> Quoted Rate: <b>\$16.00</b> Grnd Brk Date: <b>Fourth Quarter 2006</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>Thalhimer/Cushman &amp; Wakefield</b> Developer: <b>R &amp; L ENTERPRISES LLC</b>	<b>6. 8220 Midlothian Tpke</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>6,000</b> Occupied: <b>100%</b> Quoted Rate: <b>N/A</b> Grnd Brk Date: <b>Third Quarter 2006</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>N/A</b> Developer: <b>N/A</b>
<b>7. Mayland Dr</b> Submarket: <b>Northwest Retail Market</b> RBA: <b>4,584</b> Occupied: <b>69%</b> Quoted Rate: <b>\$35.00</b> Grnd Brk Date: <b>Fourth Quarter 2006</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>The Shopping Center Group, Inc.</b> Developer: <b>N/A</b>	<b>8. The Village of Amberleigh</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>4,378</b> Occupied: <b>100%</b> Quoted Rate: <b>N/A</b> Grnd Brk Date: <b>Fourth Quarter 2005</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>R.E. Collier, Inc</b> Developer: <b>R.E. Collier, Inc</b>	<b>9. The Village of Amberleigh</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>4,192</b> Occupied: <b>0%</b> Quoted Rate: <b>\$22.00</b> Grnd Brk Date: <b>Fourth Quarter 2005</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>GVA Advantis</b> Developer: <b>R.E. Collier, Inc</b>
<b>10. The Village of Amberleigh</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>4,110</b> Occupied: <b>0%</b> Quoted Rate: <b>\$22.00</b> Grnd Brk Date: <b>Fourth Quarter 2005</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>GVA Advantis</b> Developer: <b>R.E. Collier, Inc</b>	<b>11. The Village of Amberleigh</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>3,880</b> Occupied: <b>0%</b> Quoted Rate: <b>\$22.00</b> Grnd Brk Date: <b>Fourth Quarter 2005</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>R.E. Collier, Inc</b> Developer: <b>R.E. Collier, Inc</b>	<b>12. The Village of Amberleigh</b> Submarket: <b>Southwest Retail Market</b> RBA: <b>1,460</b> Occupied: <b>0%</b> Quoted Rate: <b>\$22.00</b> Grnd Brk Date: <b>Fourth Quarter 2005</b> Deliv Date: <b>First Quarter 2007</b> Leasing Co: <b>R.E. Collier, Inc</b> Developer: <b>R.E. Collier, Inc</b>

# RICHMOND VA RETAIL MARKET

INVENTORY &amp; DEVELOPMENT



## SELECT TOP UNDER CONSTRUCTION PROPERTIES

Based on Project Square Footage

- |  |  |  |
|--|--|--|
| <p><b>1. Westchester Commons at Wakens Centre</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>975,000</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Second Quarter 2007</b><br/> Deliv Date: <b>Second Quarter 2008</b><br/> Leasing Co: <b>The Zaremba Group, Inc.</b><br/> Developer: <b>N/A</b></p>                  | <p><b>2. Short Pump Station - Buildings A-F</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>90,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Fourth Quarter 2007</b><br/> Leasing Co: <b>Collins Goodman Development</b><br/> Developer: <b>N/A</b></p>     | <p><b>3. Hanover Square North</b></p> <hr/> <p>Submarket: <b>Northeast Retail Market</b><br/> RBA: <b>75,000</b><br/> Preleased: <b>77%</b><br/> Quoted Rate: <b>\$25.00</b><br/> Grnd Brk Date: <b>Third Quarter 2006</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Commonwealth Commercial Partners, I</b><br/> Developer: <b>N/A</b></p>                 |
| <p><b>4. 2130 S Crater Rd</b></p> <hr/> <p>Submarket: <b>TriCities Retail Market</b><br/> RBA: <b>50,000</b><br/> Preleased: <b>78%</b><br/> Quoted Rate: <b>\$17.00</b><br/> Grnd Brk Date: <b>Second Quarter 2006</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>CB Richard Ellis of Virginia</b><br/> Developer: <b>N/A</b></p>                                     | <p><b>5. Bell Creek Commons - Shops</b></p> <hr/> <p>Submarket: <b>Northeast Retail Market</b><br/> RBA: <b>42,638</b><br/> Preleased: <b>80%</b><br/> Quoted Rate: <b>\$25.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>First Quarter 2008</b><br/> Leasing Co: <b>Taylor Long Properties Inc.</b><br/> Developer: <b>N/A</b></p>           | <p><b>6. Towne Center West</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>27,750</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>\$38.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Divaris Real Estate, Inc.</b><br/> Developer: <b>Breeden Development Corp</b></p>          |
| <p><b>7. Towne Center West</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>27,750</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>\$38.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Divaris Real Estate, Inc.</b><br/> Developer: <b>Breeden Development Corp</b></p>                    | <p><b>8. Northcross Center</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>25,000</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>\$28.00</b><br/> Grnd Brk Date: <b>First Quarter 2006</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Blackwood Development Co.</b><br/> Developer: <b>Blackwood Development Co.</b></p> | <p><b>9. Towne Center West</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>19,494</b><br/> Preleased: <b>16%</b><br/> Quoted Rate: <b>\$38.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Divaris Real Estate, Inc.</b><br/> Developer: <b>Breeden Development Corp</b></p>         |
| <p><b>10. Sliding Hill Corner</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>18,200</b><br/> Preleased: <b>52%</b><br/> Quoted Rate: <b>\$25.00</b><br/> Grnd Brk Date: <b>Fourth Quarter 2006</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>GVA Advantis</b><br/> Developer: <b>R &amp; R Property Development</b></p>                      | <p><b>11. Maxey Center</b></p> <hr/> <p>Submarket: <b>Powhatan Retail Market</b><br/> RBA: <b>17,250</b><br/> Preleased: <b>1%</b><br/> Quoted Rate: <b>\$16.50</b><br/> Grnd Brk Date: <b>Second Quarter 2007</b><br/> Deliv Date: <b>First Quarter 2008</b><br/> Leasing Co: <b>Grubb &amp; Ellis/Harrison &amp; Bates</b><br/> Developer: <b>N/A</b></p>              | <p><b>12. Chesterfield Meadows West - Phase III</b></p> <hr/> <p>Submarket: <b>Southwest Retail Market</b><br/> RBA: <b>16,600</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Fourth Quarter 2006</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>N/A</b><br/> Developer: <b>N/A</b></p>                                 |
| <p><b>13. Colony Crossing - Building 10</b></p> <hr/> <p>Submarket: <b>Southwest Retail Market</b><br/> RBA: <b>14,000</b><br/> Preleased: <b>1%</b><br/> Quoted Rate: <b>\$24.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Fourth Quarter 2007</b><br/> Leasing Co: <b>Development Strategies Inc.</b><br/> Developer: <b>Development Strategies Inc.</b></p> | <p><b>14. Festival Park - Building A</b></p> <hr/> <p>Submarket: <b>Southwest Retail Market</b><br/> RBA: <b>14,000</b><br/> Preleased: <b>36%</b><br/> Quoted Rate: <b>\$17.25</b><br/> Grnd Brk Date: <b>Second Quarter 2007</b><br/> Deliv Date: <b>First Quarter 2008</b><br/> Leasing Co: <b>The Emerson Construction Group, Inc</b><br/> Developer: <b>N/A</b></p> | <p><b>15. Towne Center West Bldg 6</b></p> <hr/> <p>Submarket: <b>Northwest Retail Market</b><br/> RBA: <b>13,986</b><br/> Preleased: <b>11%</b><br/> Quoted Rate: <b>\$38.00</b><br/> Grnd Brk Date: <b>First Quarter 2007</b><br/> Deliv Date: <b>Third Quarter 2007</b><br/> Leasing Co: <b>Divaris Real Estate, Inc.</b><br/> Developer: <b>Breeden Development Corp</b></p> |



# RICHMOND VA RETAIL MARKET

FIGURES AT A GLANCE

## GENERAL RETAIL MARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Downtown Ret	433	3,586,826	161,036	161,036	4.5%	3,064	0	0	\$13.24
Goochland Ret	3	7,463	0	0	0.0%	0	0	0	\$0.00
Northeast Ret	609	3,584,790	38,567	38,567	1.1%	(3,506)	0	0	\$10.97
Northwest Ret	1,591	12,622,470	431,333	447,158	3.5%	(101,914)	0	0	\$13.91
Powhatan Ret	6	46,047	18,085	18,085	39.3%	(18,085)	0	0	\$17.33
Prince George Ret	8	47,866	0	0	0.0%	500	0	0	\$0.00
Southeast Ret	409	2,197,296	81,950	81,950	3.7%	8,965	0	0	\$6.09
Southwest Ret	1,473	9,954,884	178,438	189,101	1.9%	(4,552)	22,560	34,135	\$12.46
TriCities Ret	233	1,920,862	106,184	106,184	5.5%	(49,735)	0	0	\$5.28
<b>Totals</b>	<b>4,765</b>	<b>33,968,504</b>	<b>1,015,593</b>	<b>1,042,081</b>	<b>3.1%</b>	<b>(165,263)</b>	<b>22,560</b>	<b>34,135</b>	<b>\$11.70</b>

Source: CoStar Property®

## OTHER RETAIL MARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Downtown Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Goochland Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Northeast Ret	1	78,011	0	0	0.0%	0	0	0	\$0.00
Northwest Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Powhatan Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Prince George Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Southeast Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Southwest Ret	0	0	0	0	0.0%	0	0	0	\$0.00
TriCities Ret	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>1</b>	<b>78,011</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0.00</b>

Source: CoStar Property®

## SHOPPING CENTER MARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Downtown Ret	1	9,848	0	0	0.0%	0	0	0	\$0.00
Goochland Ret	2	58,000	5,200	5,200	9.0%	(1,600)	0	0	\$14.00
Northeast Ret	60	2,409,147	250,505	255,505	10.6%	(7,562)	0	117,638	\$13.08
Northwest Ret	212	12,004,215	599,524	614,026	5.1%	(73,104)	4,584	1,119,180	\$22.09
Powhatan Ret	10	387,243	18,600	18,600	4.8%	(9,000)	0	17,250	\$16.14
Prince George Ret	5	297,277	25,696	36,196	12.2%	(10,846)	0	0	\$10.50
Southeast Ret	27	1,200,622	94,777	105,937	8.8%	(53,018)	0	9,600	\$12.01
Southwest Ret	238	13,220,677	1,454,365	1,515,514	11.5%	104,661	63,988	53,797	\$12.41
TriCities Ret	39	2,989,924	190,802	214,726	7.2%	(48,782)	0	50,000	\$12.77
<b>Totals</b>	<b>594</b>	<b>32,576,953</b>	<b>2,639,469</b>	<b>2,765,704</b>	<b>8.5%</b>	<b>(99,251)</b>	<b>68,572</b>	<b>1,367,465</b>	<b>\$15.05</b>

Source: CoStar Property®

## TOTAL RETAIL MARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Downtown Ret	434	3,596,674	161,036	161,036	4.5%	3,064	0	0	\$13.24
Goochland Ret	5	65,463	5,200	5,200	7.9%	(1,600)	0	0	\$14.00
Northeast Ret	670	6,071,948	289,072	294,072	4.8%	(11,068)	0	117,638	\$12.94
Northwest Ret	1,803	24,626,685	1,030,857	1,061,184	4.3%	(175,018)	4,584	1,119,180	\$19.06
Powhatan Ret	16	433,290	36,685	36,685	8.5%	(27,085)	0	17,250	\$16.57
Prince George Ret	13	345,143	25,696	36,196	10.5%	(10,346)	0	0	\$10.50
Southeast Ret	436	3,397,918	176,727	187,887	5.5%	(44,053)	0	9,600	\$9.13
Southwest Ret	1,711	23,175,561	1,632,803	1,704,615	7.4%	100,109	86,548	87,932	\$12.42
TriCities Ret	272	4,910,786	296,986	320,910	6.5%	(98,517)	0	50,000	\$10.42
<b>Totals</b>	<b>5,360</b>	<b>66,623,468</b>	<b>3,655,062</b>	<b>3,807,785</b>	<b>5.7%</b>	<b>(264,514)</b>	<b>91,132</b>	<b>1,401,600</b>	<b>\$14.12</b>

Source: CoStar Property®



## RICHMOND VA RETAIL MARKET



FIGURES AT A GLANCE

## GENERAL RETAIL SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Broad St Corridor Ret	94	1,071,884	58,067	61,867	5.8%	(19,800)	0	0	\$14.80
Colonial Heights Ret	79	822,759	8,824	8,824	1.1%	1,425	0	0	\$16.17
Downtown Ret	433	3,586,826	161,036	161,036	4.5%	3,064	0	0	\$13.24
East End Ret	409	2,197,296	81,950	81,950	3.7%	8,965	0	0	\$6.09
Far West End North Ret	24	411,308	16,800	16,800	4.1%	0	0	0	\$0.00
Far West End South Ret	37	391,370	15,672	15,672	4.0%	(8,872)	0	0	\$7.44
Goochland Ret	3	7,463	0	0	0.0%	0	0	0	\$0.00
Hopewell Ret	103	595,901	6,500	6,500	1.1%	(1,500)	0	0	\$0.00
I-95 Ashland/NW Ret	142	1,050,485	10,430	10,430	1.0%	5,200	0	0	\$11.43
I-95 Chamberlayne/NE Ret	53	214,562	3,600	3,600	1.7%	(1,100)	0	0	\$12.18
Jeff Davis Corridor Ret	469	2,114,366	38,015	38,015	1.8%	(13,669)	0	0	\$7.44
Laburnum/Rte 360 Ret	394	1,892,995	30,967	30,967	1.6%	(3,606)	0	0	\$9.85
Mechanicsville Ret	162	1,477,233	4,000	4,000	0.3%	1,200	0	0	\$12.00
Midlothian E/Hull St Ret	461	3,579,030	59,661	70,324	2.0%	39,706	22,560	0	\$11.38
Midlothian Village Ret	66	255,217	1,018	1,018	0.4%	8,918	0	7,000	\$15.03
Midlothian West Ret	199	2,091,512	10,062	10,062	0.5%	14,620	0	7,935	\$15.53
Near West End Ret	598	3,058,657	108,448	108,448	3.5%	(4,745)	0	0	\$16.22
Petersburg Ret	51	502,202	90,860	90,860	18.1%	(49,660)	0	0	\$3.68
Powhatan Ret	6	46,047	18,085	18,085	39.3%	(18,085)	0	0	\$17.33
Prince George Ret	8	47,866	0	0	0.0%	500	0	0	\$0.00
Regency Ret	55	368,387	6,315	6,315	1.7%	(1,575)	0	0	\$16.00
Short Pump Ret	41	672,327	12,915	12,915	1.9%	(2,792)	0	0	\$25.00
South Chesterfield Ret	189	1,248,127	67,042	67,042	5.4%	(59,827)	0	9,000	\$16.66
Staples Mill/Parham Ret	378	3,699,184	63,352	72,377	2.0%	(817)	0	0	\$16.04
Swift Creek Ret	89	666,632	2,640	2,640	0.4%	5,700	0	10,200	\$25.00
Willowlawn Ret	222	1,898,868	139,334	142,334	7.5%	(68,513)	0	0	\$10.25
<b>Totals</b>	<b>4,765</b>	<b>33,968,504</b>	<b>1,015,593</b>	<b>1,042,081</b>	<b>3.1%</b>	<b>(165,263)</b>	<b>22,560</b>	<b>34,135</b>	<b>\$11.70</b>

Source: CoStar Property®

## OTHER RETAIL SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Broad St Corridor Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Colonial Heights Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown Ret	0	0	0	0	0.0%	0	0	0	\$0.00
East End Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Far West End North Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Far West End South Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Goochland Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Hopewell Ret	0	0	0	0	0.0%	0	0	0	\$0.00
I-95 Ashland/NW Ret	0	0	0	0	0.0%	0	0	0	\$0.00
I-95 Chamberlayne/NE Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Jeff Davis Corridor Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Laburnum/Rte 360 Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Mechanicsville Ret	1	78,011	0	0	0.0%	0	0	0	\$0.00
Midlothian E/Hull St Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Midlothian Village Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Midlothian West Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Near West End Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Petersburg Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Powhatan Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Prince George Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Regency Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Short Pump Ret	0	0	0	0	0.0%	0	0	0	\$0.00
South Chesterfield Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Staples Mill/Parham Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Swift Creek Ret	0	0	0	0	0.0%	0	0	0	\$0.00
Willowlawn Ret	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>1</b>	<b>78,011</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0.00</b>

Source: CoStar Property®



# RICHMOND VA RETAIL MARKET

FIGURES AT A GLANCE

## SHOPPING CENTER SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Broad St Corridor Ret	28	1,189,818	45,366	45,366	3.8%	(25)	4,584	0	\$20.16
Colonial Heights Ret	24	2,053,875	43,997	66,921	3.3%	(5,440)	0	0	\$12.84
Downtown Ret	1	9,848	0	0	0.0%	0	0	0	\$0.00
East End Ret	27	1,200,622	94,777	105,937	8.8%	(53,018)	0	9,600	\$12.01
Far West End North Ret	3	66,426	0	0	0.0%	0	0	0	\$0.00
Far West End South Ret	21	954,817	118,358	119,658	12.5%	(37,118)	0	0	\$14.91
Goochland Ret	2	58,000	5,200	5,200	9.0%	(1,600)	0	0	\$14.00
Hopewell Ret	7	458,420	81,677	81,677	17.8%	(1,519)	0	0	\$9.00
I-95 Ashland/NW Ret	8	539,689	25,840	25,840	4.8%	3,925	0	25,000	\$17.93
I-95 Chamberlayne/NE Ret	10	391,576	8,253	8,253	2.1%	8,347	0	0	\$20.50
Jeff Davis Corridor Ret	22	956,226	446,709	446,709	46.7%	(22,902)	0	0	\$2.64
Laburnum/Rte 360 Ret	29	997,062	142,064	147,064	14.7%	(1,017)	0	0	\$8.72
Mechanicsville Ret	21	1,020,509	100,188	100,188	9.8%	(14,892)	0	117,638	\$17.90
Midlothian E/Hull St Ret	71	4,140,925	485,031	485,031	11.7%	84,498	16,109	0	\$8.85
Midlothian Village Ret	13	393,287	30,592	30,592	7.8%	2,888	0	0	\$15.09
Midlothian West Ret	50	4,027,238	253,768	277,468	6.9%	(13,604)	0	9,197	\$18.30
Near West End Ret	14	436,622	17,900	17,900	4.1%	(4,900)	0	0	\$20.33
Petersburg Ret	8	477,629	65,128	66,128	13.8%	(41,823)	0	50,000	\$14.35
Powhatan Ret	10	387,243	18,600	18,600	4.8%	(9,000)	0	17,250	\$16.14
Prince George Ret	5	297,277	25,696	36,196	12.2%	(10,846)	0	0	\$10.50
Regency Ret	28	1,748,530	49,089	49,089	2.8%	(18,248)	0	975,000	\$16.84
Short Pump Ret	22	2,519,745	29,549	35,024	1.4%	(1,396)	0	88,980	\$35.67
South Chesterfield Ret	44	1,650,309	124,634	131,637	8.0%	942	47,879	30,600	\$15.74
Staples Mill/Parham Ret	61	3,365,232	146,911	154,638	4.6%	(9,592)	0	30,200	\$19.20
Swift Creek Ret	38	2,052,692	113,631	144,077	7.0%	52,839	0	14,000	\$16.28
Willowlawn Ret	27	1,183,336	166,511	166,511	14.1%	(5,750)	0	0	\$18.57
<b>Totals</b>	<b>594</b>	<b>32,576,953</b>	<b>2,639,469</b>	<b>2,765,704</b>	<b>8.5%</b>	<b>(99,251)</b>	<b>68,572</b>	<b>1,367,465</b>	<b>\$15.05</b>

Source: CoStar Property®

## TOTAL RETAIL SUBMARKET STATISTICS

Mid-Year 2007

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Broad St Corridor Ret	122	2,261,702	103,433	107,233	4.7%	(19,825)	4,584	0	\$18.34
Colonial Heights Ret	103	2,876,634	52,821	75,745	2.6%	(4,015)	0	0	\$13.40
Downtown Ret	434	3,596,674	161,036	161,036	4.5%	3,064	0	0	\$13.24
East End Ret	436	3,397,918	176,727	187,887	5.5%	(44,053)	0	9,600	\$9.13
Far West End North Ret	27	477,734	16,800	16,800	3.5%	0	0	0	\$0.00
Far West End South Ret	58	1,346,187	134,030	135,330	10.1%	(45,990)	0	0	\$14.26
Goochland Ret	5	65,463	5,200	5,200	7.9%	(1,600)	0	0	\$14.00
Hopewell Ret	110	1,054,321	88,177	88,177	8.4%	(3,019)	0	0	\$9.00
I-95 Ashland/NW Ret	150	1,590,174	36,270	36,270	2.3%	9,125	0	25,000	\$17.44
I-95 Chamberlayne/NE Ret	63	606,138	11,853	11,853	2.0%	7,247	0	0	\$17.36
Jeff Davis Corridor Ret	491	3,070,592	484,724	484,724	15.8%	(36,571)	0	0	\$3.69
Laburnum/Rte 360 Ret	423	2,890,057	173,031	178,031	6.2%	(4,623)	0	0	\$8.79
Mechanicsville Ret	184	2,575,753	104,188	104,188	4.0%	(13,692)	0	117,638	\$17.71
Midlothian E/Hull St Ret	532	7,719,955	544,692	555,355	7.2%	124,204	38,669	0	\$9.40
Midlothian Village Ret	79	648,504	31,610	31,610	4.9%	11,806	0	7,000	\$15.09
Midlothian West Ret	249	6,118,750	263,830	287,530	4.7%	1,016	0	17,132	\$17.70
Near West End Ret	612	3,495,279	126,348	126,348	3.6%	(9,645)	0	0	\$17.00
Petersburg Ret	59	979,831	155,988	156,988	16.0%	(91,483)	0	50,000	\$9.59
Powhatan Ret	16	433,290	36,685	36,685	8.5%	(27,085)	0	17,250	\$16.57
Prince George Ret	13	345,143	25,696	36,196	10.5%	(10,346)	0	0	\$10.50
Regency Ret	83	2,116,917	55,404	55,404	2.6%	(19,823)	0	975,000	\$16.76
Short Pump Ret	63	3,192,072	42,464	47,939	1.5%	(4,188)	0	88,980	\$34.94
South Chesterfield Ret	233	2,898,436	191,676	198,679	6.9%	(58,885)	47,879	39,600	\$15.83
Staples Mill/Parham Ret	439	7,064,416	210,263	227,015	3.2%	(10,409)	0	30,200	\$17.94
Swift Creek Ret	127	2,719,324	116,271	146,717	5.4%	58,539	0	24,200	\$16.40
Willowlawn Ret	249	3,082,204	305,845	308,845	10.0%	(74,263)	0	0	\$12.72
<b>Totals</b>	<b>5,360</b>	<b>66,623,468</b>	<b>3,655,062</b>	<b>3,807,785</b>	<b>5.7%</b>	<b>(264,514)</b>	<b>91,132</b>	<b>1,401,600</b>	<b>\$14.12</b>

Source: CoStar Property®

# RICHMOND VA RETAIL MARKET


**FIGURES AT A GLANCE**

## GENERAL RETAIL MARKET STATISTICS

**Mid-Year 2007**

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2007 2q	4,765	33,968,504	1,015,593	1,042,081	3.1%	(4,906)	0	0	5	34,135	\$11.70
2007 1q	4,765	33,968,504	982,670	1,037,175	3.1%	(160,357)	5	22,560	1	9,000	\$12.02
2006 4q	4,760	33,945,944	807,096	854,258	2.5%	(27,518)	0	0	6	31,560	\$12.33
2006 3q	4,761	33,949,292	773,618	830,088	2.4%	68,608	1	3,072	5	22,560	\$12.01
2006 2q	4,760	33,946,220	834,910	895,624	2.6%	41,763	1	6,250	5	19,632	\$12.60
2006 1q	4,759	33,939,970	870,423	931,137	2.7%	(113,435)	3	32,833	5	22,810	\$13.37
2005 4q	4,756	33,907,137	722,219	784,869	2.3%	272,142	3	100,820	8	55,643	\$11.96
2005 3q	4,753	33,806,317	885,985	956,191	2.8%	(7,474)	1	14,820	7	139,903	\$12.75
2005 2q	4,752	33,791,497	863,691	933,897	2.8%	0	7	95,450	7	139,723	\$11.65

Source: CoStar Property®

## OTHER RETAIL MARKET STATISTICS

**Mid-Year 2007**

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2007 2q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2007 1q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2006 4q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2006 3q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2006 2q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2006 1q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2005 4q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2005 3q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00
2005 2q	1	78,011	0	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

## SHOPPING CENTER MARKET STATISTICS

**Mid-Year 2007**

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2007 2q	594	32,576,953	2,639,469	2,765,704	8.5%	53,803	1	30,000	17	1,367,465	\$15.05
2007 1q	593	32,546,953	2,662,613	2,789,507	8.6%	(153,054)	5	38,572	13	370,018	\$14.89
2006 4q	588	32,508,381	2,466,360	2,597,881	8.0%	61,805	6	107,821	11	253,372	\$13.65
2006 3q	582	32,400,560	2,430,804	2,551,865	7.9%	344,353	3	416,200	12	303,930	\$12.97
2006 2q	579	31,984,360	2,379,564	2,480,018	7.8%	(127,157)	1	12,677	13	615,130	\$12.66
2006 1q	578	31,971,683	2,254,078	2,340,184	7.3%	(56,201)	6	92,225	10	519,040	\$12.93
2005 4q	572	31,879,458	2,029,974	2,191,758	6.9%	30,967	2	68,660	10	467,739	\$12.11
2005 3q	570	31,810,798	1,987,084	2,154,065	6.8%	(49,916)	1	52,572	10	518,085	\$11.88
2005 2q	569	31,758,226	1,864,881	2,051,577	6.5%	0	4	139,362	8	510,100	\$11.73

Source: CoStar Property®



# RICHMOND VA RETAIL MARKET

FIGURES AT A GLANCE

## TOTAL RETAIL MARKET STATISTICS

Mid-Year 2007

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2007 2q	5,360	66,623,468	3,655,062	3,807,785	5.7%	48,897	1	30,000	22	1,401,600	\$14.12
2007 1q	5,359	66,593,468	3,645,283	3,826,682	5.7%	(313,411)	10	61,132	14	379,018	\$14.12
2006 4q	5,349	66,532,336	3,273,456	3,452,139	5.2%	34,287	6	107,821	17	284,932	\$13.29
2006 3q	5,344	66,427,863	3,204,422	3,381,953	5.1%	412,961	4	419,272	17	326,490	\$12.74
2006 2q	5,340	66,008,591	3,214,474	3,375,642	5.1%	(85,394)	2	18,927	18	634,762	\$12.64
2006 1q	5,338	65,989,664	3,124,501	3,271,321	5.0%	(169,636)	9	125,058	15	541,850	\$13.06
2005 4q	5,329	65,864,606	2,752,193	2,976,627	4.5%	303,109	5	169,480	18	523,382	\$12.07
2005 3q	5,324	65,695,126	2,873,069	3,110,256	4.7%	(57,390)	2	67,392	17	657,988	\$12.09
2005 2q	5,322	65,627,734	2,728,572	2,985,474	4.5%	0	11	234,812	15	649,823	\$11.71

Source: CoStar Property®

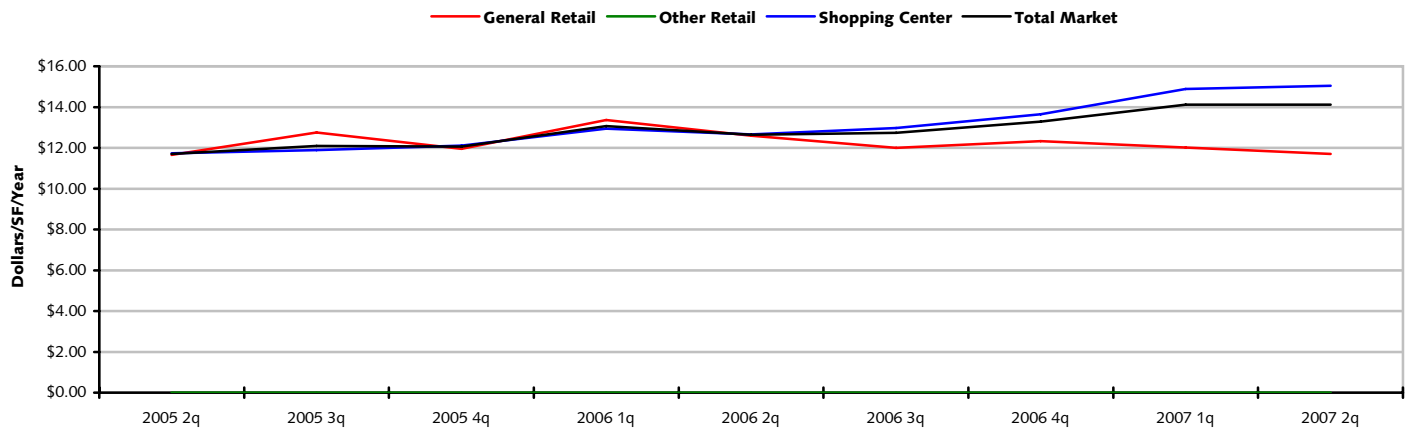
# RICHMOND VA RETAIL MARKET



## LEASING ACTIVITY

### HISTORICAL RENTAL RATES

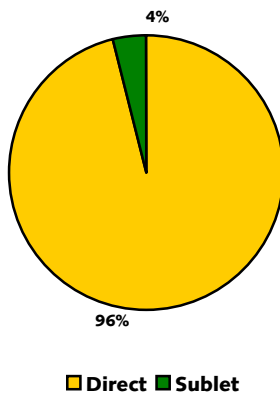
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

### VACANCY BY AVAILABLE SPACE TYPE

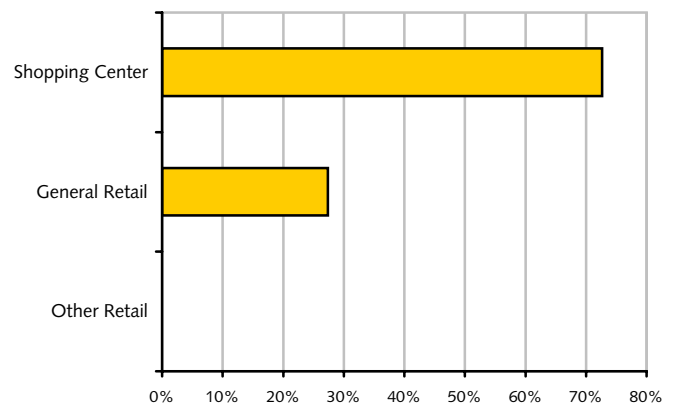
Percent of All Vacant Space in Direct vs. Sublet



Source: CoStar Property®

### VACANCY BY BUILDING TYPE

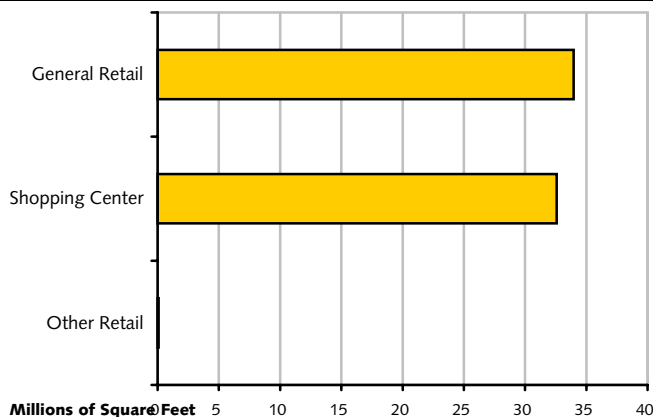
Percent of All Vacant Space by Building Type



Source: CoStar Property®

### VACANCY RATE BY BUILDING TYPE

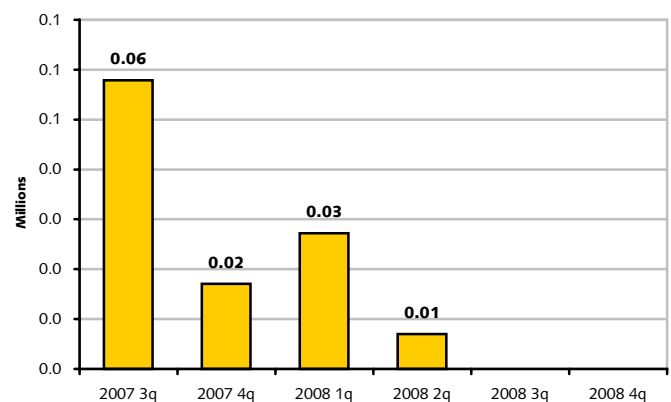
Based Ratio of Vacant Space to Total GLA by Building Type



Source: CoStar Property®

### FUTURE SPACE AVAILABLE

Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®



# RICHMOND VA RETAIL MARKET

## LEASING ACTIVITY

### SELECT TOP RETAIL LEASES Based on Leased Square Footage For Deals Signed in 2007

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company
1 Former Hannaford Grocery Store	East End Ret	66,400	1st	The Great Big Flea Market	N/A	GVA Advantis
2 3970 Meadowdale Blvd	Jeff Davis Corridor Ret	57,902	2nd	Ollie's	N/A	Sandor Development Company
3 Chestertowne Square Shopping Center	Jeff Davis Corridor Ret	37,625	1st	Chesterfield Supermarket	N/A	Crenshaw-Singleton Properties
4 2130 S Crater Rd	Petersburg Ret	35,000	2nd	Food Lion	N/A	CB Richard Ellis of Virginia
5 Bell Creek Commons - Shops	Mechanicsville Ret	30,038	1st	Best Buy	N/A	Taylor Long Properties Inc.
6 Hancock Village Retail Box B-H	Midlothian E/Hull St Ret	25,800	2nd	Bed, Bath, & Beyond	N/A	Taylor Long Properties Inc.
7 3807 Mechanicsville Pike*	Laburnum/Rte 360 Ret	25,000	1st	Salvation Army	Grubb & Ellis/Harrison & Bates	N/A
8 Merchants Walk	Staples Mill/Parham Ret	19,000	2nd	Rec Warehouse	Direct Deal	Chase Properties Ltd.
9 Broad Crestwood Center	Willowlawn Ret	12,567	2nd	Broadway Restaurant and Lounge	N/A	Pollard & Bagby Realtors
10 Former Darryl's	Midlothian E/Hull St Ret	10,480	2nd	N/A	N/A	Himmelfarb Commercial, Inc.
11 Ashland Hanover Shopping Center	I-95 Ashland/NW Ret	10,473	2nd	Hibbett Sports	N/A	Taylor Long Properties Inc.
12 7905 W Broad St	Broad St Corridor Ret	10,410	1st	Summer Classics	Thalhimer/Cushman & Wakefield	Grubb & Ellis/Harrison & Bates
13 Chesterfield Marketplace	Midlothian West Ret	10,000	2nd	Five Below	Direct Deal	Thalhimer/Cushman & Wakefield
14 Chesterfield Marketplace	Midlothian West Ret	10,000	2nd	Five Below Inc	N/A	Tabani Group, Inc.
15 2007 S Sycamore St	Petersburg Ret	8,600	1st	The Plasma Bank	N/A	Specter Properties, Inc.
16 Midlothian Center*	Midlothian E/Hull St Ret	7,375	1st	Virginia Endoscopy Group, Inc.	N/A	Thalhimer/Cushman & Wakefield
17 Meadowood Square Shopping Center	Laburnum/Rte 360 Ret	7,000	1st	Gold and Beauty	N/A	Meadowood Supermarket
18 John Rolfe Commons - Phase I	Far West End South Ret	6,600	1st	Lessons in Ballroom	N/A	The Wilton Companies
19 John Rolfe Commons - Phase I	Far West End South Ret	6,000	1st	PT Works	CB Richard Ellis of Virginia	The Wilton Companies
20 Gayton Crossing Shopping Center	Far West End South Ret	6,000	1st	The Mattress Space	N/A	Grubb & Ellis/Harrison & Bates
21 Commonwealth Plaza	Swift Creek Ret	6,000	2nd	Men's Warehouse	Direct Deal	Sigma National, Inc.
22 Hanover Square North	Mechanicsville Ret	6,000	2nd	Buffalo Wild Wings	CB Richard Ellis of Virginia	Commonwealth Commercial Partners, I
23 14 N 18th St	Downtown Ret	5,282	2nd	Entertainment Concepts Inc.	Direct Deal	Bandazian & Co.
24 Commonwealth Plaza	Swift Creek Ret	5,200	2nd	Life Way Christian Stores	Direct Deal	Sigma National, Inc.
25 3114 Cary St	Near West End Ret	5,100	1st	Goodwill	N/A	Commonwealth Commercial Partners, I
26 Festival Park - Building A	South Chesterfield Ret	5,000	2nd	CJW Medical Center	The Emerson Construction Group, Inc	The Emerson Construction Group, Inc
27 Colonial Corner Shopping Center	Hopewell Ret	4,970	1st	Logistics Solutions Group	N/A	AADI Consulting
28 8801 W Broad St	Broad St Corridor Ret	4,960	1st	Napa Auto Parts	Porter Realty Company, Inc.	Porter Realty Company, Inc.
29 3610 Courthouse Rd	Midlothian E/Hull St Ret	4,950	1st	N/A	N/A	Porter Realty Company, Inc.
30 Parc Place @ Short Pump Town Center	Short Pump Ret	4,540	2nd	Neibauer Dental, Inc.	N/A	CB Richard Ellis of Virginia
31 Spring Centre	Mechanicsville Ret	4,508	2nd	Pla-Mor Pools	Direct Deal	Divaris Real Estate, Inc.
32 Midlothian Station	Midlothian Village Ret	4,420	2nd	Taella	Direct Deal	Divaris Real Estate, Inc.
33 The Shops at Willow Lawn	Willowlawn Ret	4,300	1st	Lane Bryant	Direct Deal	Federal Realty Investment Trust
34 10825 Midlothian Turnpike*	Midlothian West Ret	4,200	2nd	Hot Tubs to Go	N/A	Grubb & Ellis/Harrison & Bates
35 The Shops at Willow Lawn	Willowlawn Ret	4,195	2nd	Padow's Ham & Deli	Direct Deal	Federal Realty Investment Trust
36 IceZone Retail Shops	Short Pump Ret	4,121	2nd	Massage Envy	Direct Deal	Thalhimer/Cushman & Wakefield
37 Village Marketplace - West	Midlothian Village Ret	4,000	1st	Perfect Puppies	General Land Co. of Virginia	General Land Co. of Virginia
38 7 W Hundred Rd	South Chesterfield Ret	4,000	1st	JRC Transportation	N/A	The Emerson Construction Group, Inc
39 The Shops at Tripps	Staples Mill/Parham Ret	3,800	2nd	The Dive Shop	Direct Deal	Thalhimer/Cushman & Wakefield
40 Stony Point Shopping Cntr - Bldg 1	Midlothian West Ret	3,550	2nd	Leopard Park	N/A	S.L. Nusbaum Realty Co.

Source: CoStar Property®

\* Renewal

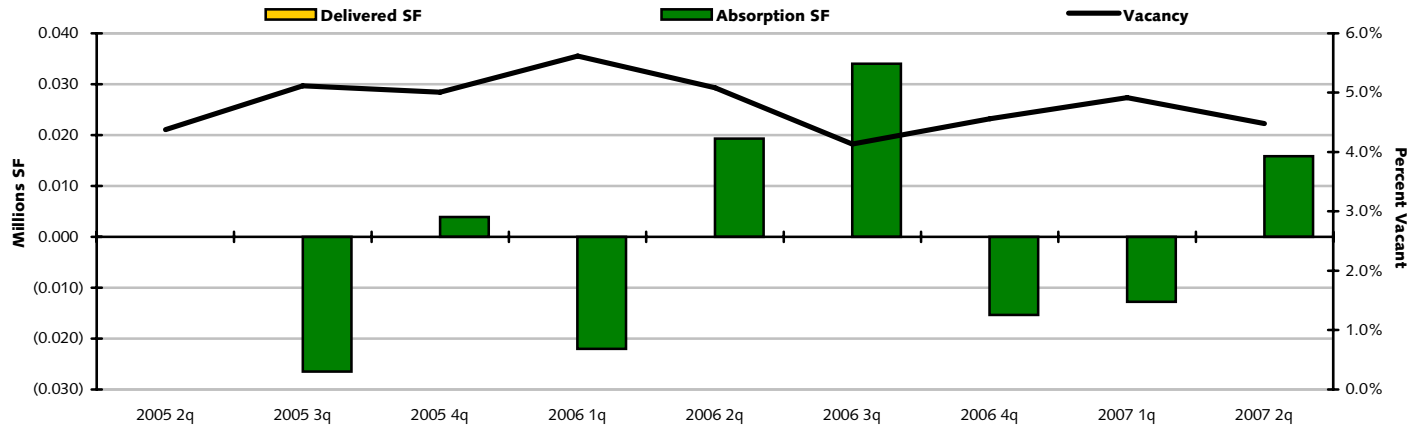
# RICHMOND VA RETAIL MARKET

## DOWNTOWN MARKET

MARKET HIGHLIGHTS – CLASS "A, B &amp; C"



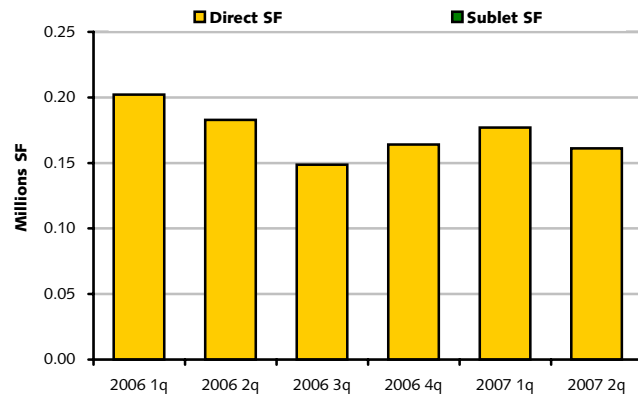
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

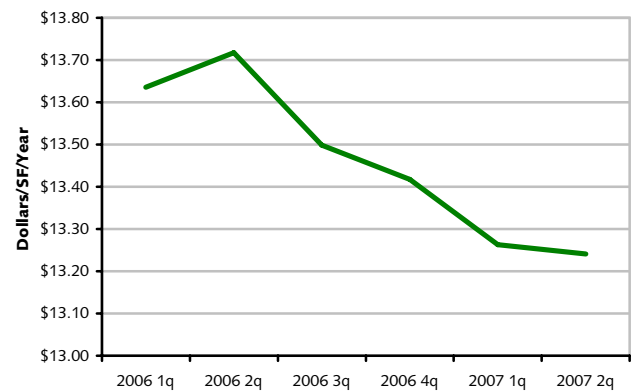
#### Historical Analysis, All Classes



Source: CoStar Property®

### QUOTED RENTAL RATES

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2007 2q	434	3,596,674	161,036	4.5%	15,849	0	0	0	0	\$13.24
2007 1q	434	3,596,674	176,885	4.9%	(12,785)	0	0	0	0	\$13.26
2006 4q	434	3,596,674	164,100	4.6%	(15,363)	0	0	0	0	\$13.42
2006 3q	434	3,596,674	148,737	4.1%	34,038	0	0	0	0	\$13.50
2006 2q	434	3,596,674	182,775	5.1%	19,285	0	0	0	0	\$13.72
2006 1q	434	3,596,674	202,060	5.6%	(21,982)	0	0	0	0	\$13.64
2005 4q	434	3,596,674	180,078	5.0%	3,900	0	0	0	0	\$14.02
2005 3q	434	3,596,674	183,978	5.1%	(26,479)	0	0	0	0	\$14.18
2005 2q	434	3,596,674	157,499	4.4%	0	0	0	0	0	\$14.18

Source: CoStar Property®

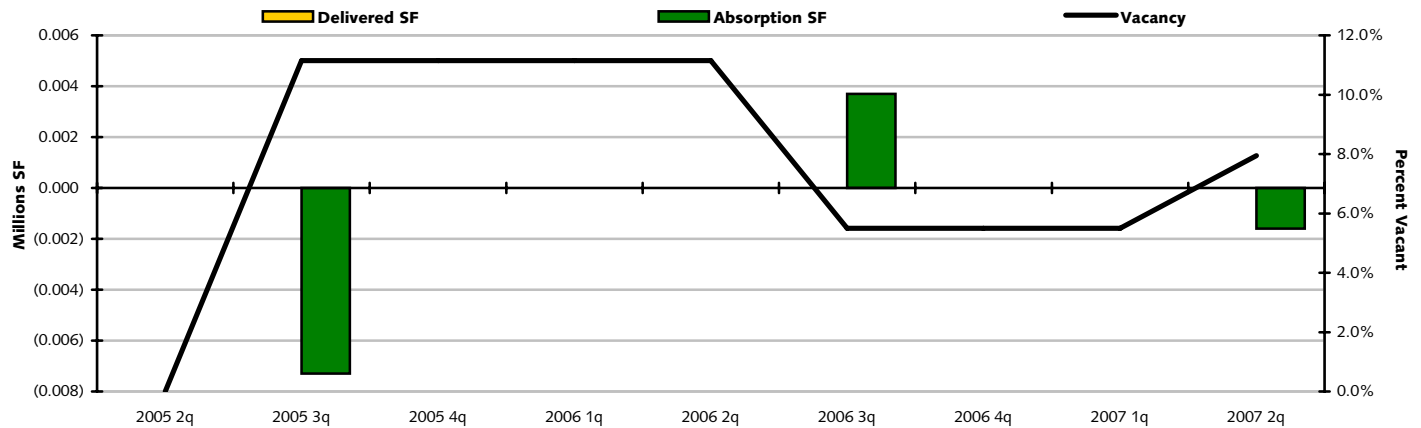


# RICHMOND VA RETAIL MARKET

## GOOCHLAND MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

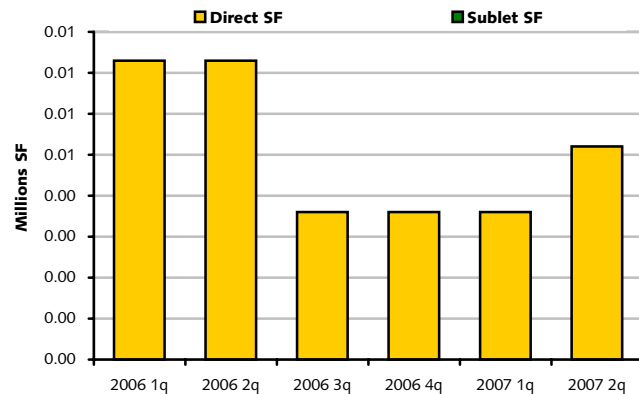
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

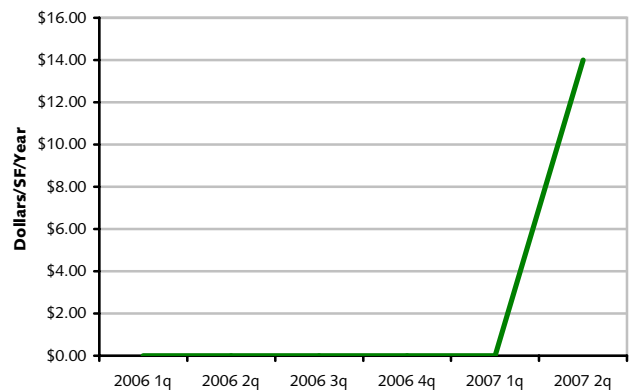
#### Historical Analysis, All Classes



Source: CoStar Property®

### QUOTED RENTAL RATES

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2007 2q	5	65,463	5,200	7.9%	(1,600)	0	0	0	0	\$14.00
2007 1q	5	65,463	3,600	5.5%	0	0	0	0	0	\$0.00
2006 4q	5	65,463	3,600	5.5%	0	0	0	0	0	\$0.00
2006 3q	5	65,463	3,600	5.5%	3,700	0	0	0	0	\$0.00
2006 2q	5	65,463	7,300	11.2%	0	0	0	0	0	\$0.00
2006 1q	5	65,463	7,300	11.2%	0	0	0	0	0	\$0.00
2005 4q	5	65,463	7,300	11.2%	0	0	0	0	0	\$0.00
2005 3q	5	65,463	7,300	11.2%	(7,300)	0	0	0	0	\$0.00
2005 2q	5	65,463	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®



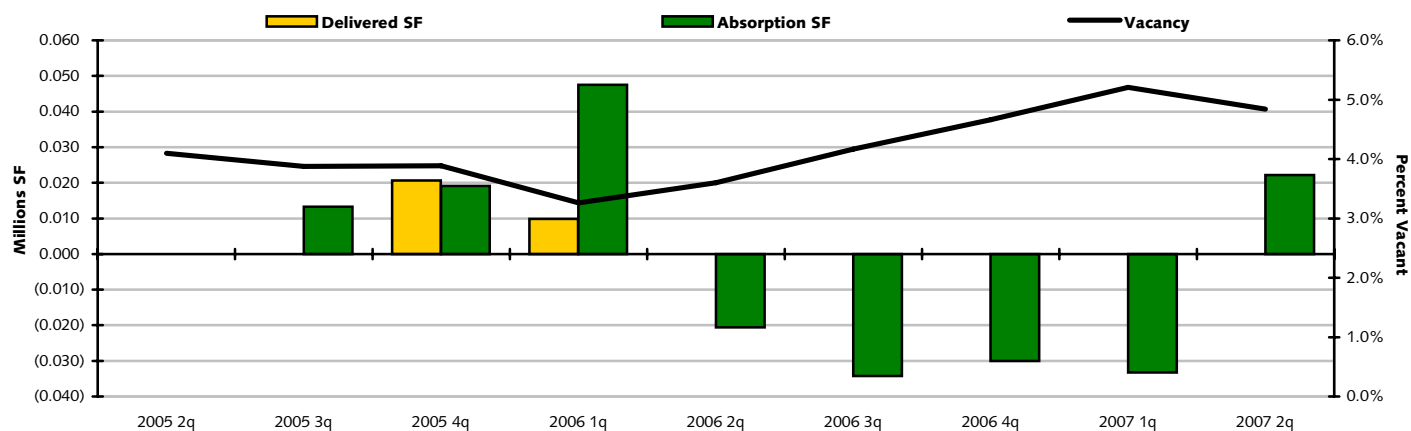
# RICHMOND VA RETAIL MARKET



## NORTHEAST MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

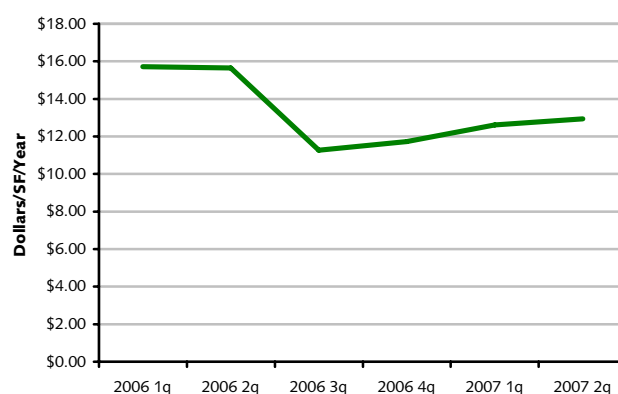
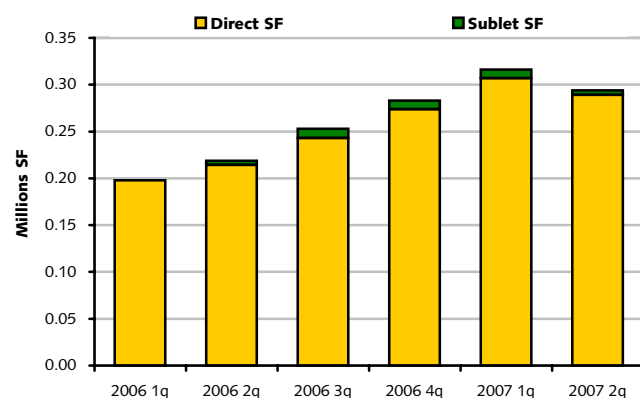
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	670	6,071,948	294,072	4.8%	22,177	0	0	2	117,638	\$12.94
2007 1q	670	6,071,948	316,249	5.2%	(33,245)	0	0	2	117,638	\$12.61
2006 4q	670	6,071,948	283,004	4.7%	(30,045)	0	0	1	75,000	\$11.73
2006 3q	670	6,071,948	252,959	4.2%	(34,278)	0	0	1	75,000	\$11.27
2006 2q	670	6,071,948	218,681	3.6%	(20,630)	0	0	0	0	\$15.65
2006 1q	670	6,071,948	198,051	3.3%	47,521	1	9,832	0	0	\$15.72
2005 4q	669	6,062,116	235,740	3.9%	19,136	1	20,660	1	9,832	\$13.94
2005 3q	668	6,041,456	234,216	3.9%	13,253	0	0	2	30,492	\$12.30
2005 2q	668	6,041,456	247,469	4.1%	0	0	0	1	20,660	\$12.47

Source: CoStar Property®

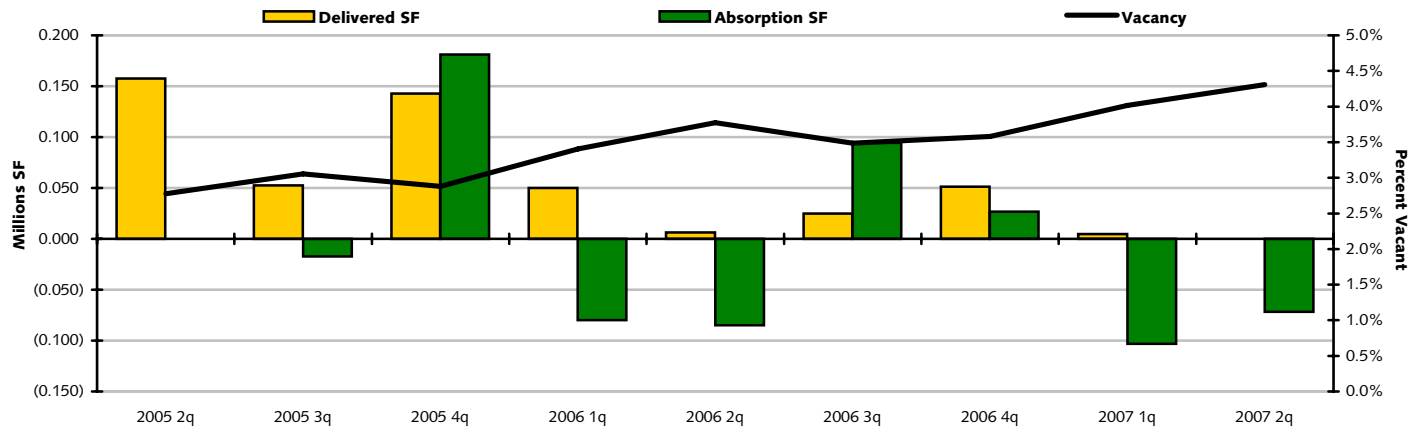


# RICHMOND VA RETAIL MARKET

## NORTHWEST MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

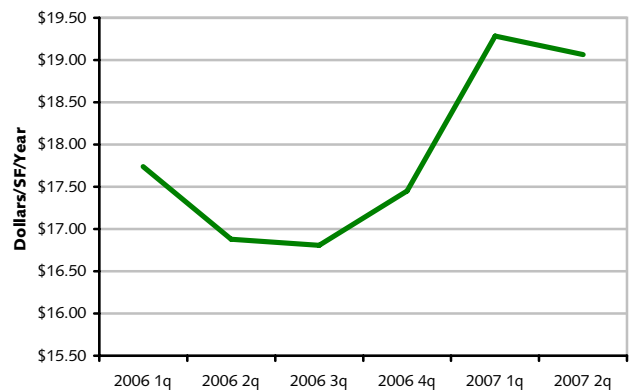
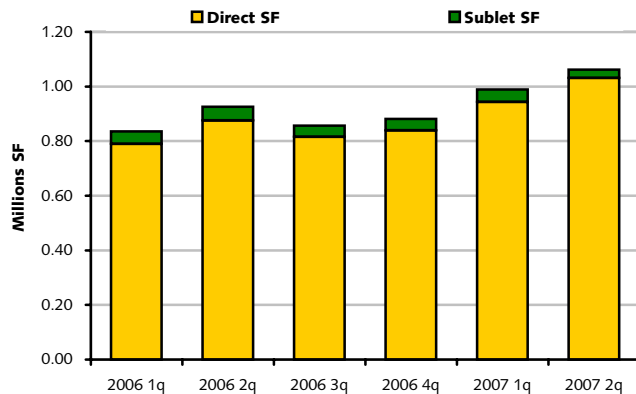
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	1,803	24,626,685	1,061,184	4.3%	(71,835)	0	0	8	1,119,180	\$19.06
2007 1q	1,803	24,626,685	989,349	4.0%	(103,183)	1	4,584	6	132,180	\$19.28
2006 4q	1,802	24,622,101	881,582	3.6%	26,596	2	51,267	3	47,784	\$17.45
2006 3q	1,800	24,570,834	856,911	3.5%	94,242	1	25,000	3	76,267	\$16.81
2006 2q	1,799	24,545,834	926,153	3.8%	(84,783)	1	6,250	4	101,267	\$16.88
2006 1q	1,798	24,539,584	835,120	3.4%	(79,754)	5	49,896	3	56,250	\$17.74
2005 4q	1,793	24,489,688	705,470	2.9%	181,115	3	142,820	6	56,146	\$17.18
2005 3q	1,790	24,346,868	743,765	3.1%	(17,150)	1	52,572	9	198,966	\$15.98
2005 2q	1,789	24,294,296	674,043	2.8%	0	5	157,510	8	223,543	\$15.71

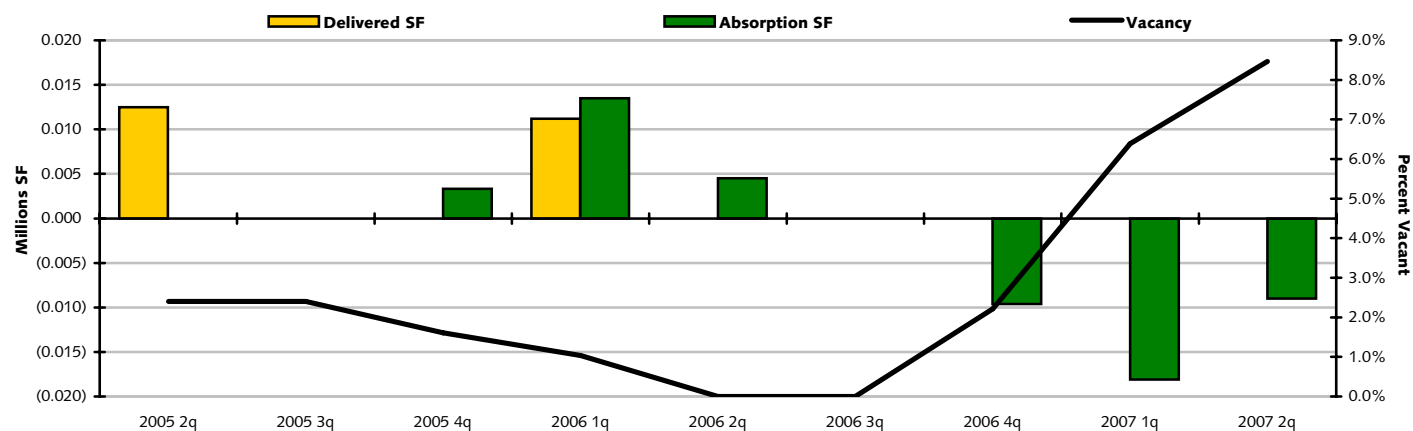
Source: CoStar Property®

# RICHMOND VA RETAIL MARKET

## POWHATAN MARKET

MARKET HIGHLIGHTS – CLASS "A, B &amp; C"

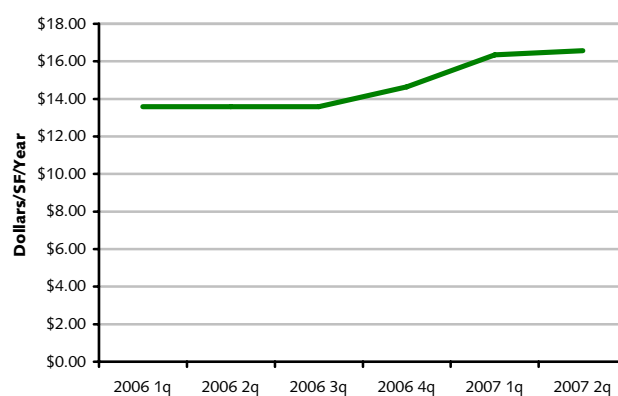
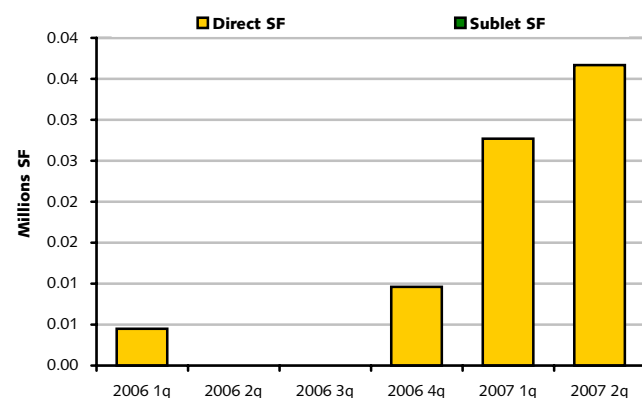
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	16	433,290	36,685	8.5%	(9,000)	0	0	1	17,250	\$16.57
2007 1q	16	433,290	27,685	6.4%	(18,085)	0	0	0	0	\$16.35
2006 4q	16	433,290	9,600	2.2%	(9,600)	0	0	0	0	\$14.63
2006 3q	16	433,290	0	0.0%	0	0	0	0	0	\$13.58
2006 2q	16	433,290	0	0.0%	4,500	0	0	0	0	\$13.58
2006 1q	16	433,290	4,500	1.0%	13,500	1	11,200	0	0	\$13.58
2005 4q	15	422,090	6,800	1.6%	3,325	0	0	1	11,200	\$13.41
2005 3q	15	422,090	10,125	2.4%	0	0	0	1	11,200	\$13.32
2005 2q	15	422,090	10,125	2.4%	0	1	12,489	1	11,200	\$15.36

Source: CoStar Property®

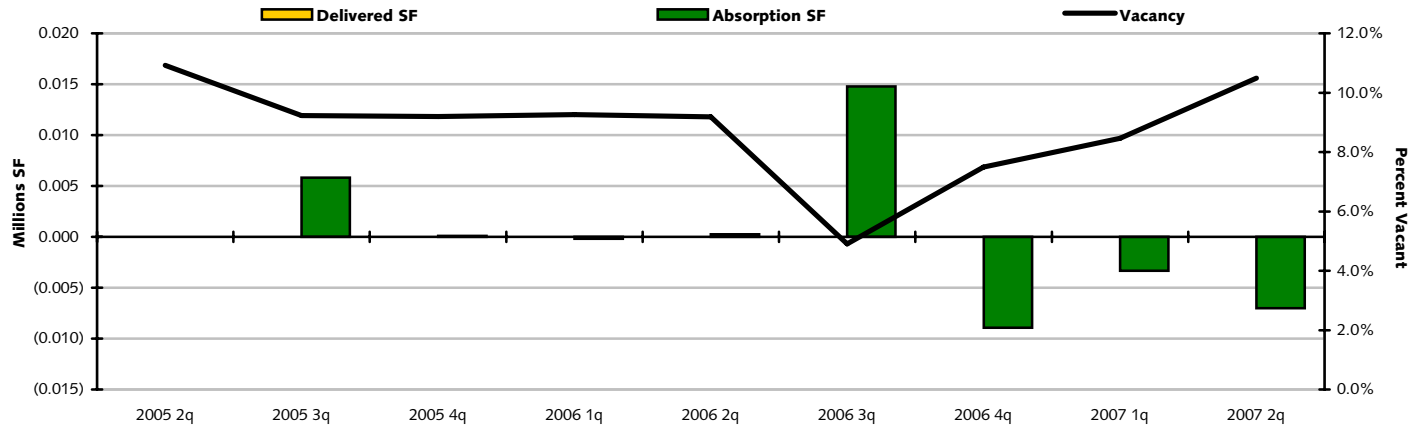


# RICHMOND VA RETAIL MARKET

## PRINCE GEORGE MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

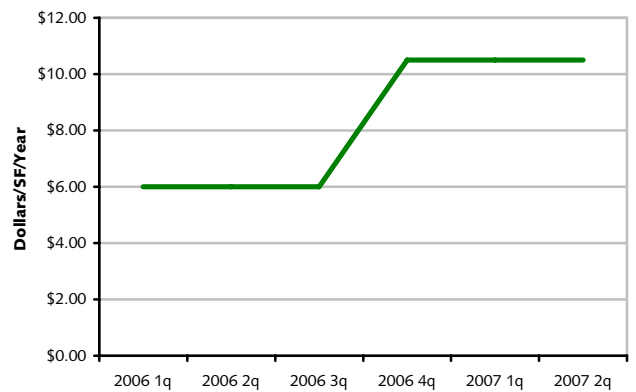
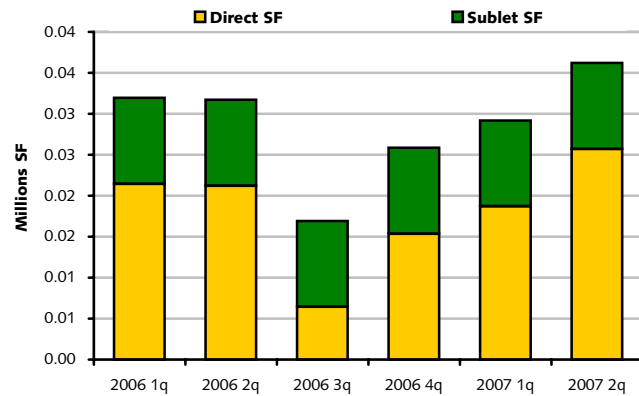
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	13	345,143	36,196	10.5%	(7,000)	0	0	0	0	\$10.50
2007 1q	13	345,143	29,196	8.5%	(3,346)	0	0	0	0	\$10.50
2006 4q	13	345,143	25,850	7.5%	(8,918)	0	0	0	0	\$10.50
2006 3q	13	345,143	16,932	4.9%	14,775	0	0	0	0	\$6.00
2006 2q	13	345,143	31,707	9.2%	245	0	0	0	0	\$6.00
2006 1q	13	345,143	31,952	9.3%	(200)	0	0	0	0	\$6.00
2005 4q	13	345,143	31,752	9.2%	100	0	0	0	0	\$6.00
2005 3q	13	345,143	31,852	9.2%	5,828	0	0	0	0	\$6.00
2005 2q	13	345,143	37,680	10.9%	0	0	0	0	0	\$6.00

Source: CoStar Property®

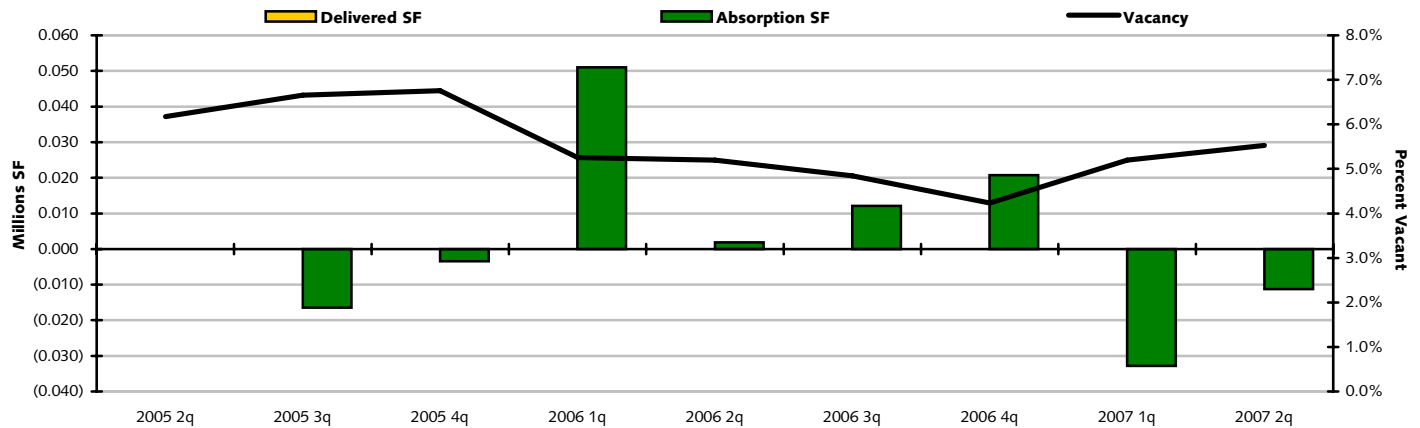
# RICHMOND VA RETAIL MARKET

## SOUTHEAST MARKET

MARKET HIGHLIGHTS – CLASS "A, B &amp; C"



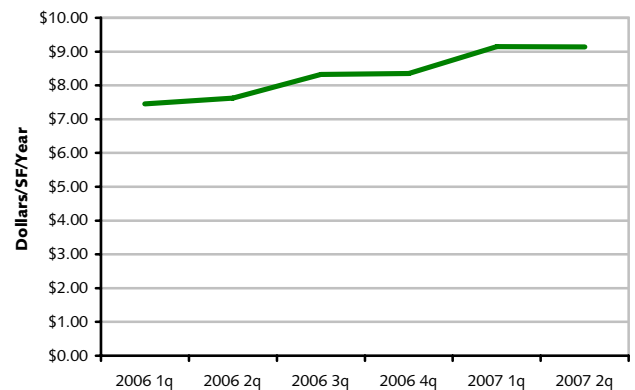
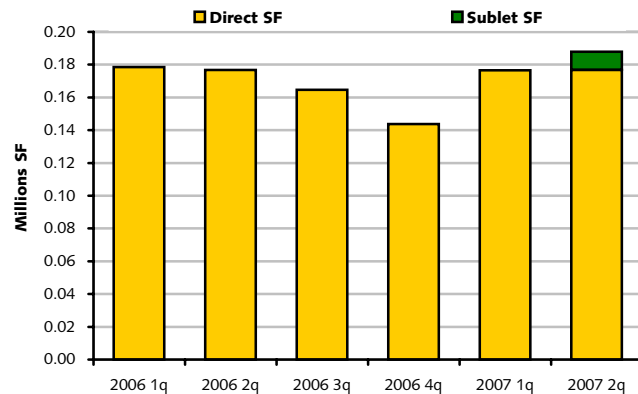
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	436	3,397,918	187,887	5.5%	(11,234)	0	0	1	9,600	\$9.13
2007 1q	436	3,397,918	176,653	5.2%	(32,819)	0	0	1	9,600	\$9.15
2006 4q	436	3,397,918	143,834	4.2%	20,726	0	0	0	0	\$8.35
2006 3q	436	3,397,918	164,560	4.8%	12,110	0	0	0	0	\$8.33
2006 2q	436	3,397,918	176,670	5.2%	1,886	0	0	0	0	\$7.62
2006 1q	436	3,397,918	178,556	5.3%	51,043	0	0	0	0	\$7.45
2005 4q	436	3,397,918	229,599	6.8%	(3,393)	0	0	0	0	\$6.83
2005 3q	436	3,397,918	226,206	6.7%	(16,422)	0	0	0	0	\$8.25
2005 2q	436	3,397,918	209,784	6.2%	0	0	0	0	0	\$6.72

Source: CoStar Property®

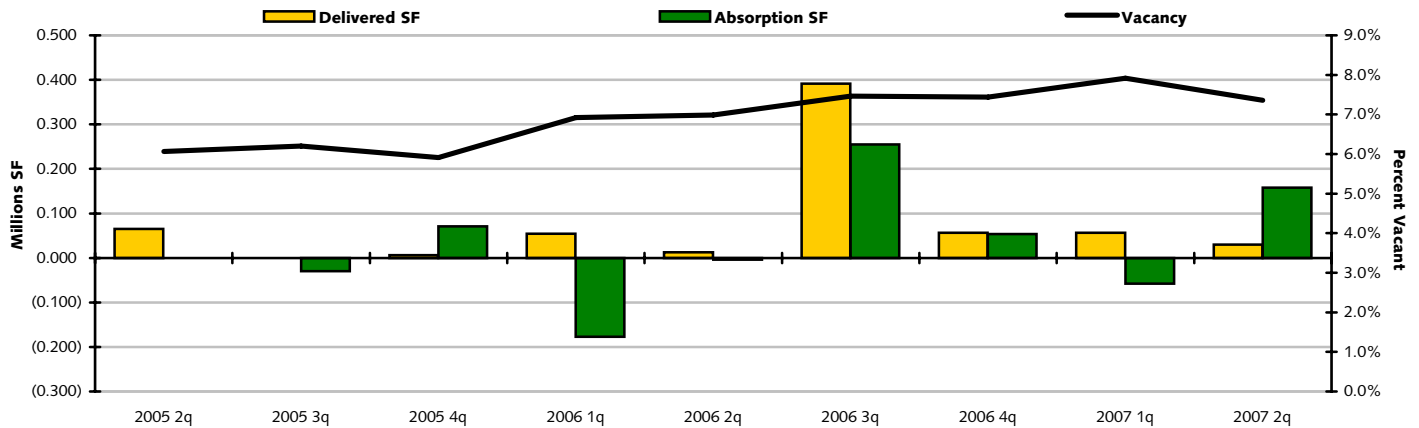


# RICHMOND VA RETAIL MARKET

## SOUTHWEST MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

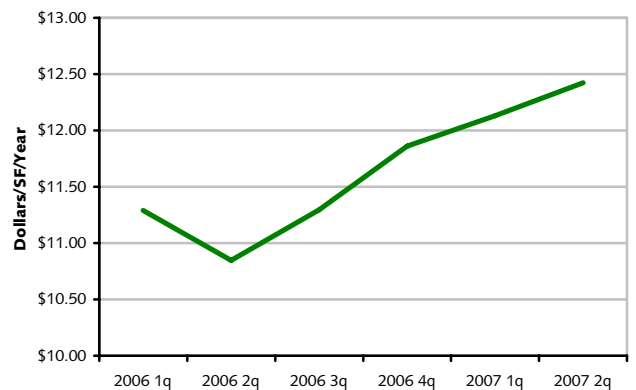
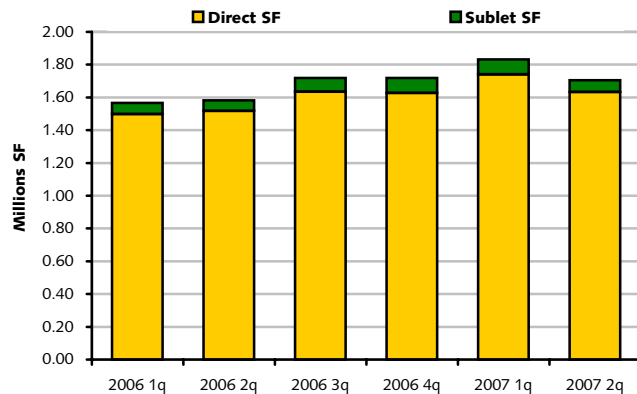
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	1,711	23,175,561	1,704,615	7.4%	158,203	1	30,000	9	87,932	\$12.42
2007 1q	1,710	23,145,561	1,832,818	7.9%	(58,094)	9	56,548	4	69,600	\$12.13
2006 4q	1,701	23,089,013	1,718,176	7.4%	53,580	4	56,554	12	112,148	\$11.86
2006 3q	1,698	23,035,807	1,718,550	7.5%	254,665	2	391,200	12	125,223	\$11.29
2006 2q	1,696	22,644,607	1,582,015	7.0%	(3,537)	1	12,677	12	480,423	\$10.85
2006 1q	1,695	22,631,930	1,565,801	6.9%	(177,079)	2	54,130	12	485,600	\$11.29
2005 4q	1,693	22,577,800	1,334,592	5.9%	70,669	1	6,000	10	446,204	\$10.21
2005 3q	1,692	22,571,800	1,399,261	6.2%	(29,457)	0	0	5	417,330	\$10.48
2005 2q	1,692	22,571,800	1,369,804	6.1%	0	5	64,813	4	379,600	\$10.52

Source: CoStar Property®

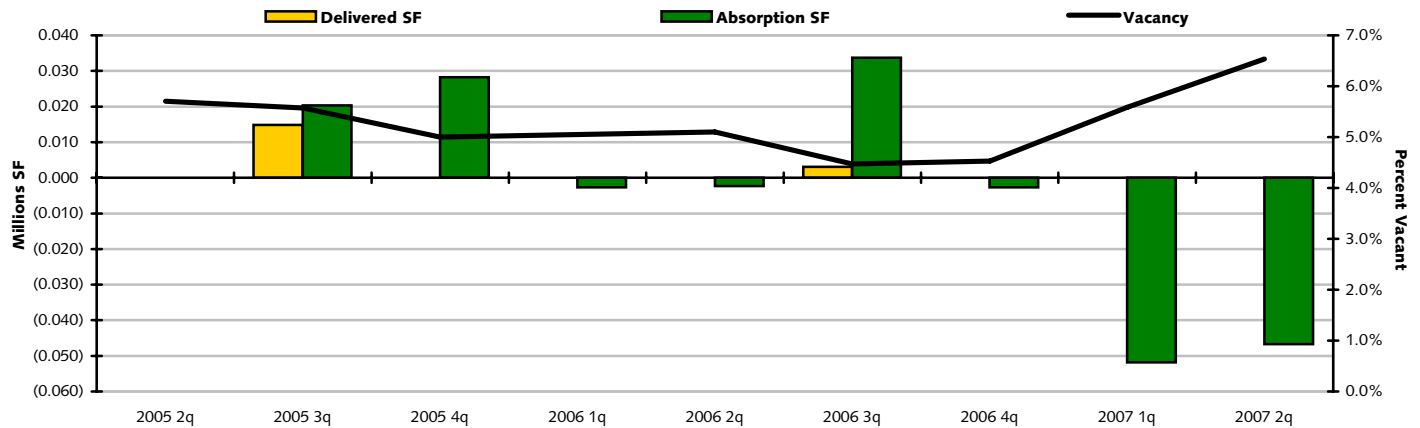
# RICHMOND VA RETAIL MARKET



## TRICITIES MARKET

MARKET HIGHLIGHTS – CLASS "A, B & C"

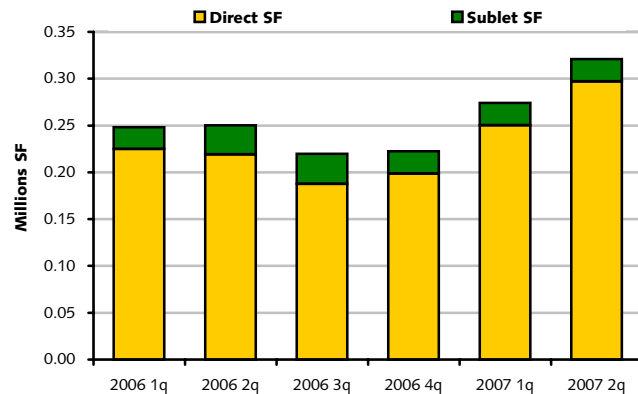
### DELIVERIES, ABSORPTION & VACANCY Historical Analysis, All Classes



Source: CoStar Property®

### VACANT SPACE

#### Historical Analysis, All Classes



Source: CoStar Property®

Period										
2007 2q	272	4,910,786	320,910	6.5%	(46,663)	0	0	1	50,000	\$10.42
2007 1q	272	4,910,786	274,247	5.6%	(51,854)	0	0	1	50,000	\$12.15
2006 4q	272	4,910,786	222,393	4.5%	(2,689)	0	0	1	50,000	\$13.58
2006 3q	272	4,910,786	219,704	4.5%	33,709	1	3,072	1	50,000	\$14.98
2006 2q	271	4,907,714	250,341	5.1%	(2,360)	0	0	2	53,072	\$14.95
2006 1q	271	4,907,714	247,981	5.1%	(2,685)	0	0	0	0	\$12.72
2005 4q	271	4,907,714	245,296	5.0%	28,257	0	0	0	0	\$12.09
2005 3q	271	4,907,714	273,553	5.6%	20,337	1	14,820	0	0	\$11.13
2005 2q	270	4,892,894	279,070	5.7%	0	0	0	1	14,820	\$11.13

Source: CoStar Property®



## APPENDIX IV: CURRENT RETAIL COMPS

**Hanover Square South****Location Data**

Location: **7225 Bell Creek Road  
Mechanicsville, VA**

County: **Hanover**

Assessor's Parcel No: **N/A**

Atlas Ref: **N/A**

**Physical Data**

Type: **Neighborhood/Community**

Land Area: **7.44 Acres**

Excess Land: **None**

Gross Leasable Area:

Anchors:

Petsmart **18,939 SF**

Anchor Tenant GLA: **18,939 SF**

Local Tenant GLA: **50,253 SF**

Total GLA: **69,192 SF**

GLA Purchased: **69,192 SF**

Year Built: **2005**

Parking: **5.4 Per 1,000 SF**

Condition: **Excellent**

Exterior Walls: **Masonry**

**Financial Data**

Source: **Broker**

Occupancy at Sale: **94%**

Existing or ProForma Inc: **Existing**

	<b>Total</b>	<b>Per SF</b>
Potential Gross Income:	<b>N/A</b>	<b>N/A</b>
Vacancy and Credit Loss:	<b>N/A</b>	<b>N/A</b>
Effective Gross Income:	<b>N/A</b>	<b>N/A</b>
Expenses and Reserves:	<b>N/A</b>	<b>N/A</b>
Net Operating Income:	<b>\$1,200,000</b>	<b>\$17.34</b>

**Analysis**

Buyers Underwriting Criteria.:	<b>Direct Cap</b>
Overall Cap. Rate (OAR):	<b>6.98 %</b>
Projected IRR:	<b>N/A %</b>
Eff. Gross Multiplier (EGIM):	<b>N/A</b>
Oper. Expense Ratio (OER):	<b>N/A %</b>
Price Per Square Foot:	<b>\$248.58</b>

**Sale Data**

Transaction Type: **Sale**

Date: **10/2007**

Marketing Time: **N/A**

Grantor: **COF South, LLC**

Grantee: **Four Plus Hanover Square South**

Document No.: **N/A**

Sale Price: **\$17,200,000**

Financing: **See Comments**

Cash Eq.Price: **\$17,200,000**

Req.Capital Cost: **\$0**

Adj. Sale Price: **\$17,200,000**

Verification: **Listing Broker**

**Comments**

This property was previously sold in September 2005 for \$15,000,000, equating to a 7% annual appreciation rate. The leases are for terms of 5 to 10 years. The tenancy is considered of high quality, including Dress Barn, Panera Bread, and Lane Bryant among others. Rents are primarily \$15 to \$24 PSF NNN.

The largest store in this center is Petsmart at 18,939 SF, and the remaining stores are all 1,200 to 7,500 SF in size. While the center does not have a true anchor tenant, the adjacent Target serves as a shadow anchor.

**Parham One Shopping Center****Location Data**

Location: **8191, 8151, 8101 Brook Road  
Richmond, VA 23227**

County: **Henrico**

Assessor's Parcel No: **N/A**

Atlas Ref: **N/A**

**Physical Data**

Type: **Neighborhood/Community**

Land Area: **8.22 Acres**

Excess Land: **.373 acres**

Gross Leasable Area:

Anchors:

Big Lots **35,820 SF**

Family Dollar Store **11,270 SF**

Anchor Tenant GLA: **47,090 SF**

Local Tenant GLA: **35,619 SF**

Total GLA: **82,709 SF**

GLA Purchased: **82,709 SF**

Year Built: **1984**

Parking: **1000 Surface spaces**

Condition: **average**

Exterior Walls: **masonry**

**Financial Data**

Source: **Appraiser**

Occupancy at Sale: **95%**

Existing or ProForma Inc: **Pro Forma**

	<b>Total</b>	<b>Per SF</b>
Potential Gross Income:	<b>\$698,484</b>	<b>\$8.45</b>
Vacancy and Credit Loss:	<b>\$34,924</b>	<b>\$0.42</b>
Effective Gross Income:	<b>\$663,560</b>	<b>\$8.02</b>
Expenses and Reserves:	<b>\$141,351</b>	<b>\$1.71</b>
Net Operating Income:	<b>\$522,209</b>	<b>\$6.31</b>

**Sale Data**

Transaction Type: **Sale**

Date: **10/2007**

Marketing Time: **N/A**

Grantor: **Parham One Center LLC**

Grantee: **Parham Shopping Center LLC**

Document No.: **N/A**

Sale Price: **\$6,220,000**

Financing: **Not Available**

Cash Eq.Price: **\$6,220,000**

Req.Capital Cost: **\$0**

Adj. Sale Price: **\$6,220,000**

Verification: **Sales Contract**

**Analysis**

Buyers Underwriting Criteria.: **Other**

Overall Cap. Rate (OAR): **8.40 %**

Projected IRR: **N/A %**

Eff. Gross Multiplier (EGIM): **9.37**

Oper. Expense Ratio (OER): **21.30 %**

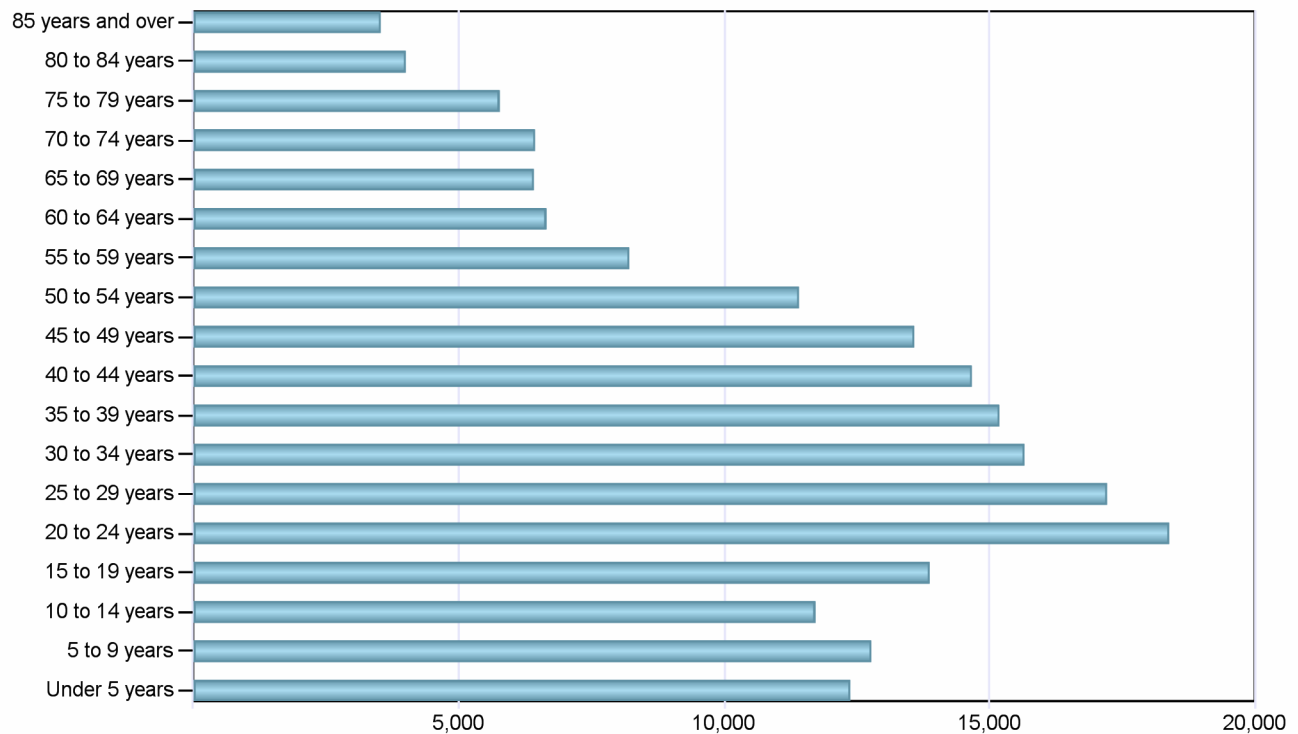
Price Per Square Foot: **\$75.20**

**Comments**

The sale of this portfolio includes three buildings; two strip centers (built 1984 and 1992) and a Wachovia Bank building (built 1986). The site is located at the southeast corner of the intersection of Brook Road and Parham Road. The surrounding neighborhood is predominantly residential and retail with I-95 located approximately 1/4 mile east of the subject property. The building located on the north side is a single-story CMU block with EIFS facade. The building on the east side of the property is similarly constructed, however, the northern section of the building is a two level building with offices located on the second floor. Other tenants include Virginia ABC, Allstate Insurance, Cellular Options, Mattress Warehouse, Red Wing Shoes, and Check N Go. Big Lots (\$1.54 PSF of building area, exercising the 1st of 7 renewal option periods) and Wachovia (13.37 PSF of buildig area) are ground leased. NorthPark Shopping Center is right next to this property and includes anchors such as Lowe's, Kroger, and Wal-Mart. Big Lots may terminate the ground lease agreement at any time; however, below market rents may keep them from doing so.

## APPENDIX V: RICHMOND METRO DEMOGRAPHIC DETAILS

## Population by Age



	LWIA X	Virginia	United States
<b>Under 5 years</b>	12,376	461,982	19,175,798
<b>5 to 9 years</b>	12,765	495,084	20,549,505
<b>10 to 14 years</b>	11,713	495,955	20,528,072
<b>15 to 19 years</b>	13,870	484,065	20,219,890
<b>20 to 24 years</b>	18,386	480,574	18,964,001
<b>25 to 29 years</b>	17,214	497,172	19,381,336
<b>30 to 34 years</b>	15,657	539,793	20,510,388
<b>35 to 39 years</b>	15,178	610,810	22,706,664
<b>40 to 44 years</b>	14,663	589,880	22,441,863
<b>45 to 49 years</b>	13,577	526,221	20,092,404
<b>50 to 54 years</b>	11,408	473,035	17,585,548
<b>55 to 59 years</b>	8,208	358,442	13,469,237
<b>60 to 64 years</b>	6,646	273,169	10,805,447
<b>65 to 69 years</b>	6,413	229,553	9,533,545
<b>70 to 74 years</b>	6,430	202,903	8,857,441
<b>75 to 79 years</b>	5,765	166,178	7,415,813
<b>80 to 84 years</b>	3,999	106,433	4,945,367
<b>85 years and over</b>	3,522	87,266	4,239,587
	<b>197,790</b>	<b>7,078,515</b>	<b>281,421,906</b>

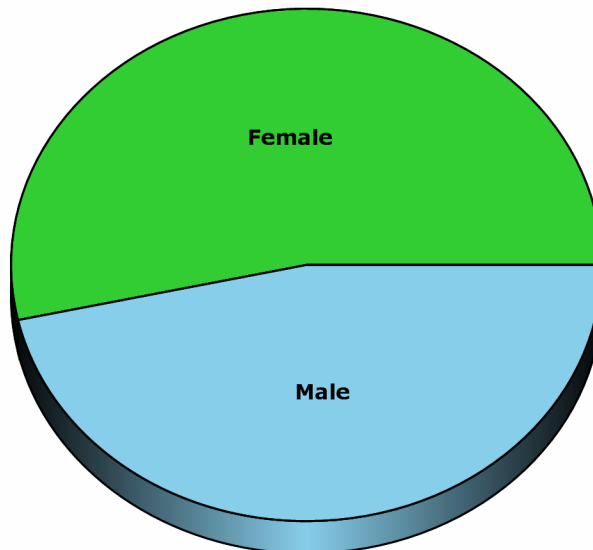
Source: 2000 Census.

## Population by Race/Ethnicity

	LWIA X	Virginia	United States
<b>Total</b>			
Total Population	197,790	7,078,515	281,421,906
<b>Race</b>			
White	75,744	5,120,110	211,460,626
Black or African American	113,108	1,390,293	34,658,190
American Indian or Alaska Native	479	21,172	2,475,956
Asian	2,471	261,025	10,242,998
Native Hawaiian/Pacific Islander	157	3,946	398,835
Other and Multi-Race	5,831	281,969	22,185,301
<b>Ethnicity</b>			
Hispanic or Latino (of any race)	5,074	329,540	35,305,818

Source: 2000 Census.

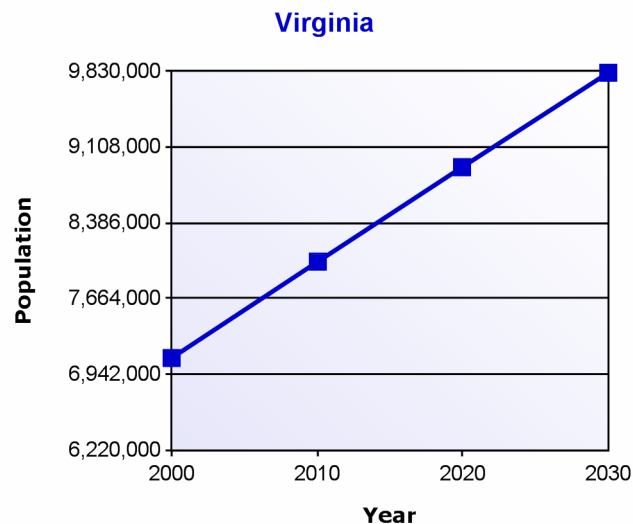
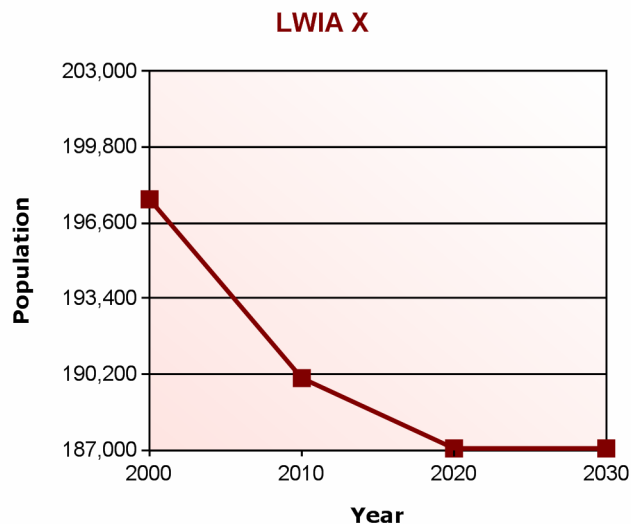
## Population by Gender



	LWIA X	Virginia	United States
<b>Male</b>	92,068	3,471,895	138,053,563
<b>Female</b>	105,722	3,606,620	143,368,343
	<b>197,790</b>	<b>7,078,515</b>	<b>281,421,906</b>

Source: 2000 Census.

## Population Change



	LWIA X	(% change)	Virginia	(% change)
<b>1990</b>	203,463		6,216,884	
<b>2000</b>	197,603	-2.88 %	7,104,078	14.27 %
<b>2010</b>	190,039	-3.83 %	8,010,342	12.76 %
<b>2020</b>	187,066	-1.56 %	8,917,575	11.33 %
<b>2030</b>	187,066	0.00 %	9,825,288	10.18 %

Source: U.S. Census Bureau, Virginia Employment Commission.

## Did you know...

you can log on to VELMA today and see population counts from each Decennial Census all the way back to 1900? Looking for annual population estimates? We have those too, all the way back to the 1970s!

For this data and more, visit us on the web at:

<http://Velma.VirtualLMI.com>

United States  
**Census  
2000**



## Population Projections by Age and Gender

	2010		2020		2030	
	Female	Male	Female	Male	Female	Male
<b>Under 5 years</b>	7,118	7,430	6,992	7,351	7,114	7,505
<b>5 to 9 years</b>	6,444	6,868	6,562	6,954	6,403	6,808
<b>10 to 14 years</b>	5,496	5,647	6,151	6,492	6,027	6,372
<b>15 to 19 years</b>	6,811	6,177	7,394	7,034	7,481	7,021
<b>20 to 24 years</b>	8,376	7,429	8,293	7,552	9,451	8,760
<b>25 to 29 years</b>	6,905	6,533	6,600	6,185	7,586	7,597
<b>30 to 34 years</b>	6,993	6,623	6,082	5,702	6,053	5,917
<b>35 to 39 years</b>	7,280	6,690	5,794	5,441	5,464	5,039
<b>40 to 44 years</b>	6,560	6,174	6,054	5,755	5,132	4,705
<b>45 to 49 years</b>	6,653	5,875	6,372	5,643	5,035	4,556
<b>50 to 54 years</b>	6,546	5,936	5,778	5,270	5,420	4,958
<b>55 to 59 years</b>	6,043	5,387	5,705	4,962	5,542	4,818
<b>60 to 64 years</b>	4,796	4,323	5,184	4,805	4,624	4,273
<b>65 to 69 years</b>	3,453	2,656	4,493	3,989	4,230	3,659
<b>70 to 74 years</b>	2,816	1,862	3,436	2,678	3,661	2,964
<b>75 to 79 years</b>	2,732	1,555	2,281	1,427	2,917	2,122
<b>80 to 84 years</b>	2,343	1,167	1,568	794	1,868	1,149
<b>85 years and over</b>	3,279	1,063	3,312	981	3,907	928
	<b>100,644</b>	<b>89,395</b>	<b>98,051</b>	<b>89,015</b>	<b>97,915</b>	<b>89,151</b>
	<b>190,039</b>		<b>187,066</b>		<b>187,066</b>	

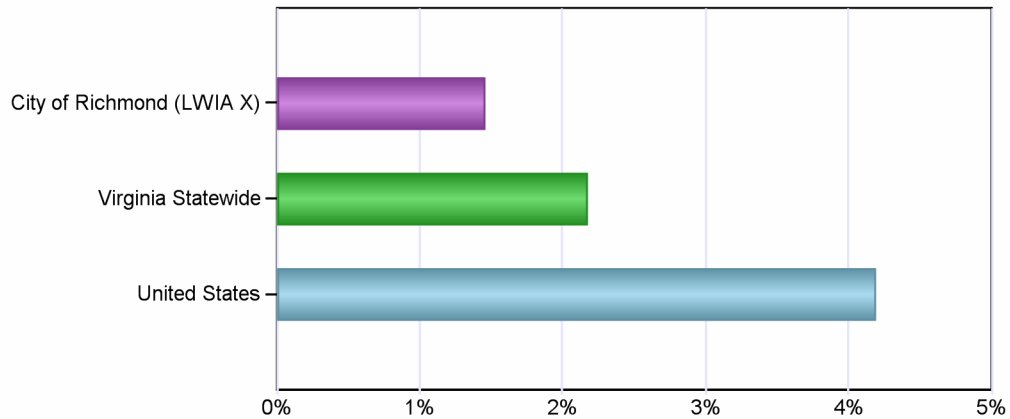
Source: Virginia Employment Commission.

## Population Projections by Race/Ethnicity

	2010	2020	2030
<b>Total</b>			
Total Population	190,039	187,066	187,066
<b>Race</b>			
White	68,430	66,613	68,045
Black or African American	109,804	105,221	100,252
American Indian or Alaska Native	503	376	290
Asian	3,223	4,104	4,979
<b>Ethnicity</b>			
Hispanic or Latino (of any race)	8,079	10,752	13,500

Source: Virginia Employment Commission.

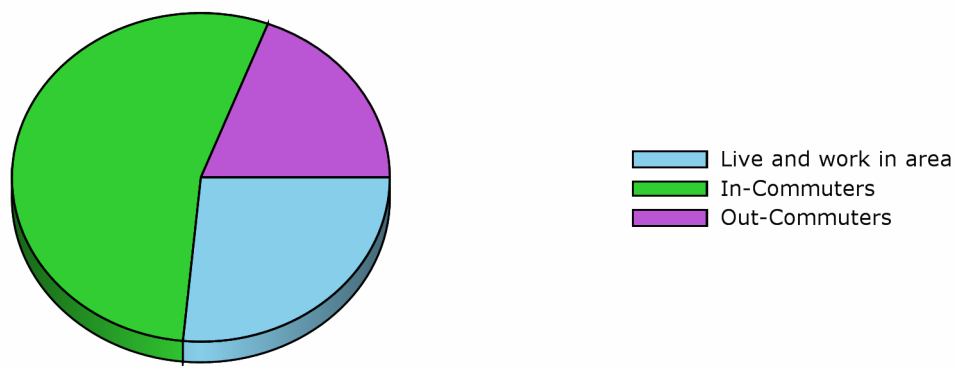
### English Language Skills (Age 5 and over that speak English less than well)



	Total	Speak English less than well	Percent
<b>City of Richmond (LWIA X)</b>	185,414	2,701	1.46%
<b>Virginia Statewide</b>	6,616,533	143,865	2.17%
<b>United States</b>	262,246,108	10,986,851	4.19%

Source: 2000 Census.

### Commuting Patterns



Commuting Patterns	
People who live and work in the area	51,534
In-Commuters	105,469
Out-Commuters	37,364
Net In-Commuters (In-Commuters minus Out-Commuters)	68,105

Source: 2000 Census.

### Top 10 Places Residents are Commuting To

Area	Workers
Henrico County, VA	20,956
Chesterfield County, VA	9,449
Hanover County, VA	2,768
Goochland County, VA	505
Petersburg city, VA	408
Colonial Heights city, VA	309
Powhatan County, VA	307
Hopewell city, VA	186
Prince George County, VA	172
Williamsburg city, VA	124

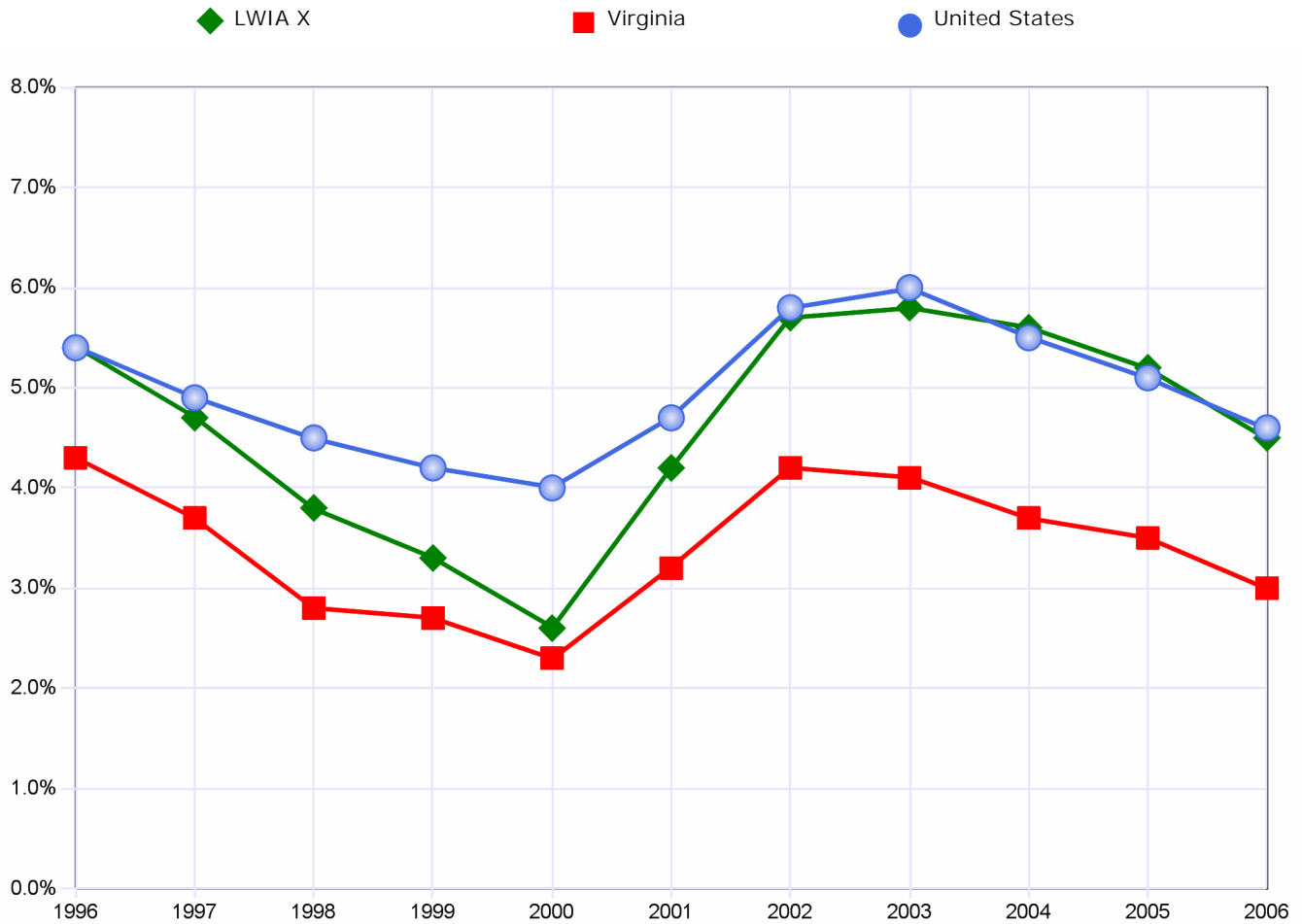
### Top 10 Places Workers are Commuting From

Area	Workers
Henrico County, VA	39,759
Chesterfield County, VA	34,899
Hanover County, VA	9,432
Powhatan County, VA	2,165
Goochland County, VA	1,717
New Kent County, VA	1,470
Prince George County, VA	1,020
King William County, VA	999
Hopewell city, VA	959
Amelia County, VA	890

Source: 2000 Census.

## Unemployment Rates

### Trends

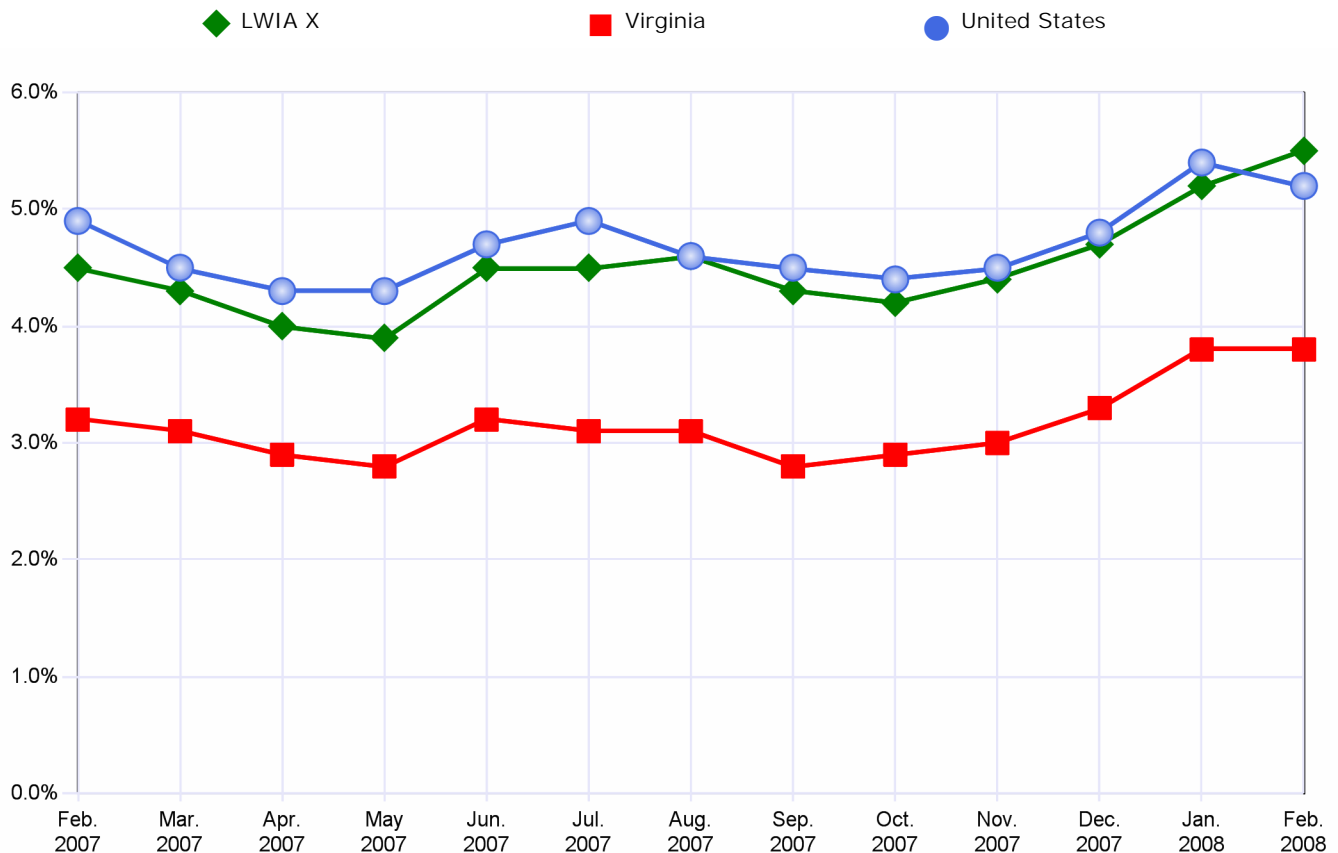


	LWIA X	Virginia	United States
<b>1996</b>	5.4%	4.3%	5.4%
<b>1997</b>	4.7%	3.7%	4.9%
<b>1998</b>	3.8%	2.8%	4.5%
<b>1999</b>	3.3%	2.7%	4.2%
<b>2000</b>	2.6%	2.3%	4.0%
<b>2001</b>	4.2%	3.2%	4.7%
<b>2002</b>	5.7%	4.2%	5.8%
<b>2003</b>	5.8%	4.1%	6.0%
<b>2004</b>	5.6%	3.7%	5.5%
<b>2005</b>	5.2%	3.5%	5.1%
<b>2006</b>	4.5%	3.0%	4.6%

Source: Virginia Employment Commission,  
Local Area Unemployment Statistics.

## Unemployment Rates

### Past 12 Months



	LWIA X	Virginia	United States
<b>Feb. 2007</b>	4.5%	3.2%	4.9%
<b>Mar. 2007</b>	4.3%	3.1%	4.5%
<b>Apr. 2007</b>	4.0%	2.9%	4.3%
<b>May 2007</b>	3.9%	2.8%	4.3%
<b>Jun. 2007</b>	4.5%	3.2%	4.7%
<b>Jul. 2007</b>	4.5%	3.1%	4.9%
<b>Aug. 2007</b>	4.6%	3.1%	4.6%
<b>Sep. 2007</b>	4.3%	2.8%	4.5%
<b>Oct. 2007</b>	4.2%	2.9%	4.4%
<b>Nov. 2007</b>	4.4%	3.0%	4.5%
<b>Dec. 2007</b>	4.7%	3.3%	4.8%
<b>Jan. 2008</b>	5.2%	3.8%	5.4%
<b>Feb. 2008</b>	5.5%	3.8%	5.2%

Source: Virginia Employment Commission,  
Local Area Unemployment Statistics.

## Employers by Size of Establishment

	LWIA X	Virginia
<b>Zero; no employment</b>	626	21,522
<b>1 to 4 employees</b>	3,217	103,668
<b>5 to 9 employees</b>	1,234	38,719
<b>10 to 19 employees</b>	936	27,091
<b>20 to 49 employees</b>	740	19,902
<b>50 to 99 employees</b>	263	7,024
<b>100 to 249 employees</b>	135	3,844
<b>250 to 499 employees</b>	65	1,078
<b>500 to 999 employees</b>	18	397
<b>1000 and over employees</b>	14	222
	<b>7,248</b>	<b>223,467</b>

## Employment by Size of Establishment

	LWIA X	Virginia
<b>Zero; no employment</b>	35	1,251
<b>1 to 4 employees</b>	6,200	202,859
<b>5 to 9 employees</b>	8,200	255,874
<b>10 to 19 employees</b>	12,734	367,493
<b>20 to 49 employees</b>	22,735	603,685
<b>50 to 99 employees</b>	18,401	480,039
<b>100 to 249 employees</b>	20,521	573,041
<b>250 to 499 employees</b>	21,791	368,991
<b>500 to 999 employees</b>	11,872	271,706
<b>1000 and over employees</b>	36,388	549,878
	<b>158,877</b>	<b>3,674,817</b>

Note: Asterisks (\*\*\*) indicate non-disclosable data.

'Zero; no employment' typically represents new startup firms or sole-proprietorships.

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2007.

## 50 Largest Employers

- |   |   |
|---|---|
| 1. Virginia Commonwealth University       | 26. Virginia Electric & Power Company Inc.            |
| 2. MCV Hospital                           | 27. Hunton and Williams, Lawyers                      |
| 3. City of Richmond                       | 28. Westminster Canterbury House                      |
| 4. Richmond City Public Schools           | 29. U.S. Department of the Treasury                   |
| 5. Philip Morris U.S.A., Inc.             | 30. Virginia Department of General Services           |
| 6. Postal Service                         | 31. First Union National Bank                         |
| 7. Hunter Holmes McGuire Medical Center   | 32. McGuire, Woods, Battle, and Boothe LLP            |
| 8. Johnston Willis Hospital               | 33. Virginia State Corporation Commission             |
| 9. Federal Reserve Bank, Richmond         | 34. Virginia Department of Game and Inland Fisheries  |
| 10. University of Richmond                | 35. Northrop Grumman, Inc.                            |
| 11. Dominion Resources                    | 36. Old Dominion Transit                              |
| 12. VDOT                                  | 37. Culpeper Star Exponent                            |
| 13. SunTrust Bank                         | 38. The Retreat Hospital                              |
| 14. Crestar Mortgage Corporation          | 39. Spherion Atlantic Enterpr                         |
| 15. MCV Physicians                        | 40. Virginia Department of Alcoholic Beverage Control |
| 16. HSS Systems VA LLC                    | 41. Reynolds Metals Company                           |
| 17. Overnite Transport Company            | 42. Verizon Virginia, Inc.                            |
| 18. Abacus Corporation                    | 43. Henkels & McCoy, Inc.                             |
| 19. Virginia Department of Taxation       | 44. Virginia Employment Commission                    |
| 20. Cavalier Telephone                    | 45. Richmond Behavioral Health                        |
| 21. Virginia State Department of Health   | 46. The Martin Agency                                 |
| 22. Virginia Department of Motor Vehicles | 47. Wal Mart  |
| 23. Estes Express Lines                   | 48. Media General                                     |
| 24. Wachovia Securities LLC               | 49. Division of Institutions                          |
| 25. Ukrops                                | 50. Richmond Goodwill Industries                      |

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2007.

### Did you know...

you can search over 300,000 employer listings in VELMA provided by infoUSA? This easy-to-use feature lets you search for employers by keyword, industry, sales volume, size range, and more!

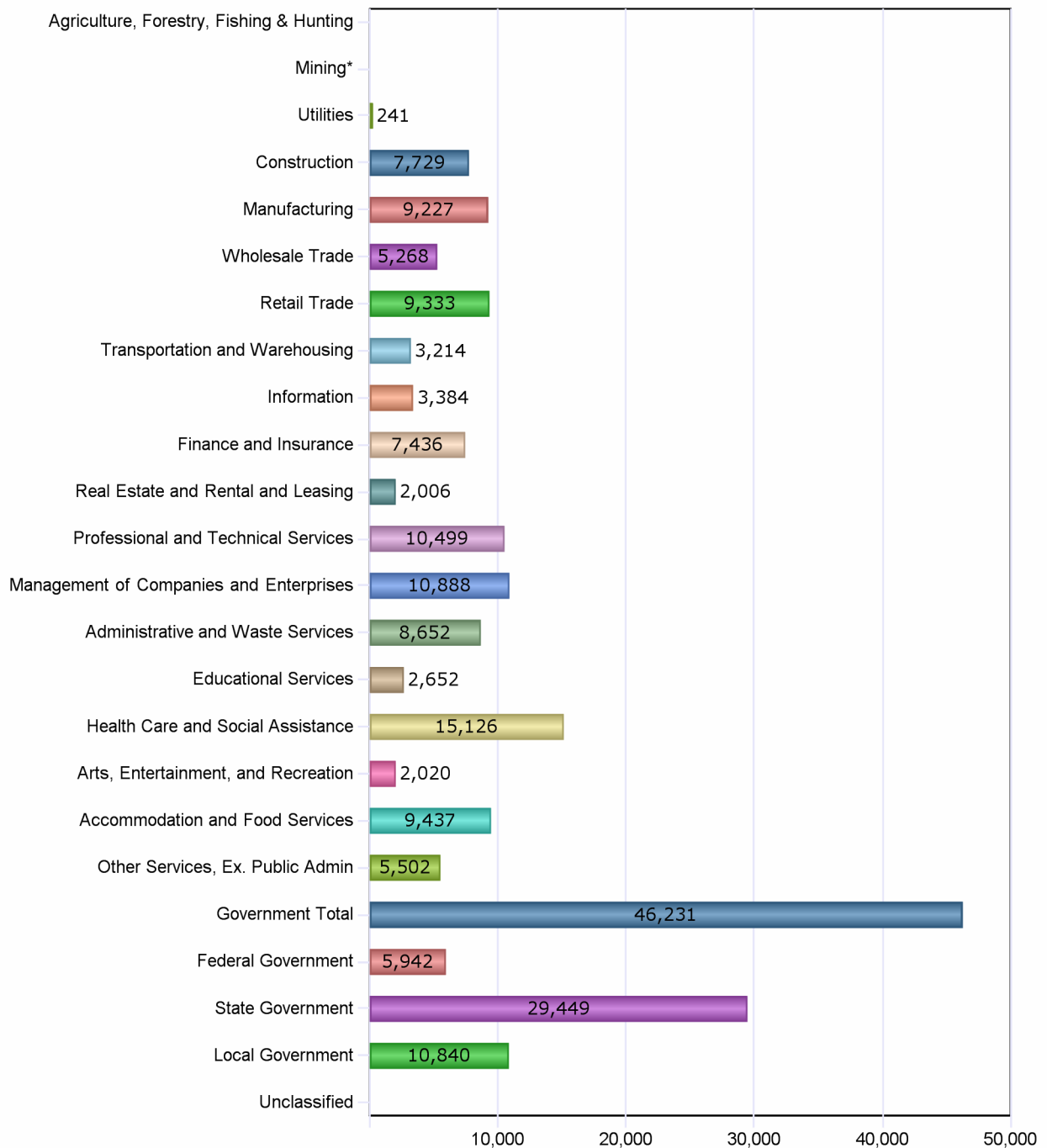


For this data and more, visit us on the web at:

<http://Velma.VirtualLMI.com>



## Employment by Industry

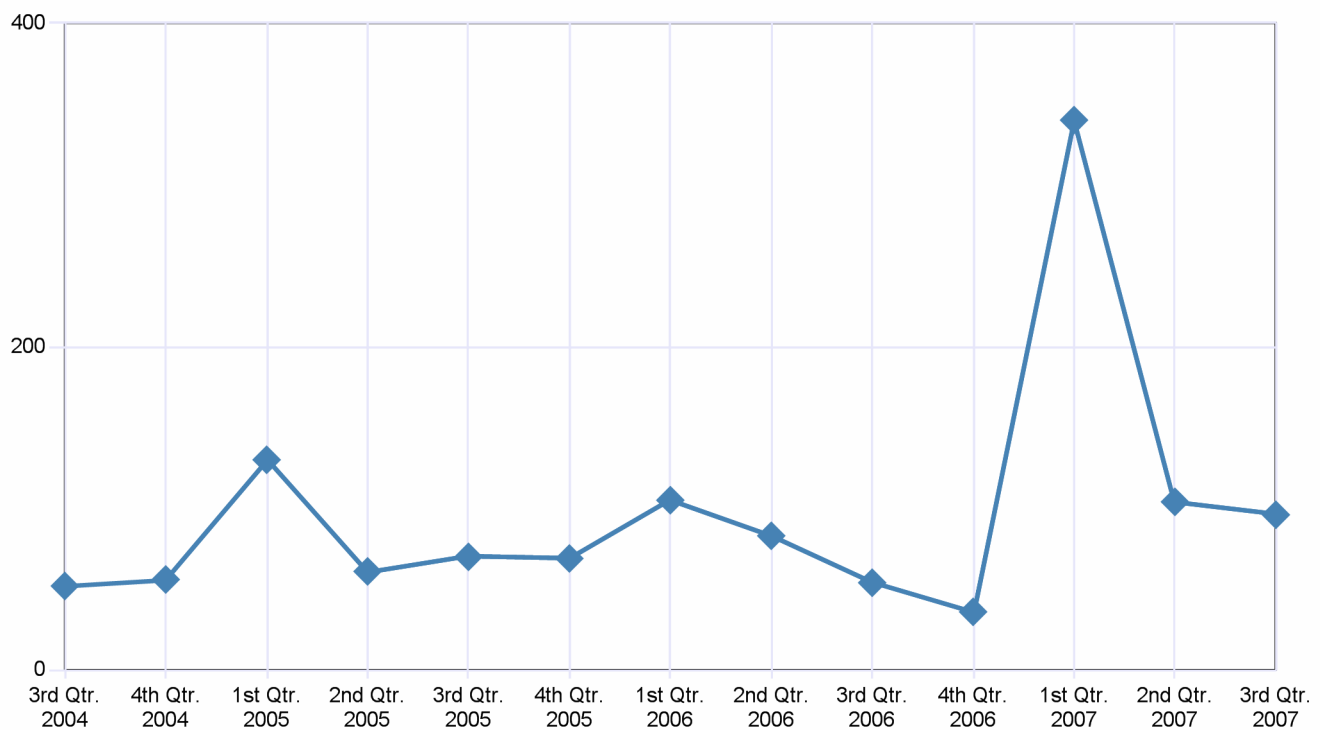


**Total: 158,876**

Note: Asterisk (\*) indicates non-disclosable data.

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2007.

## New Startup Firms



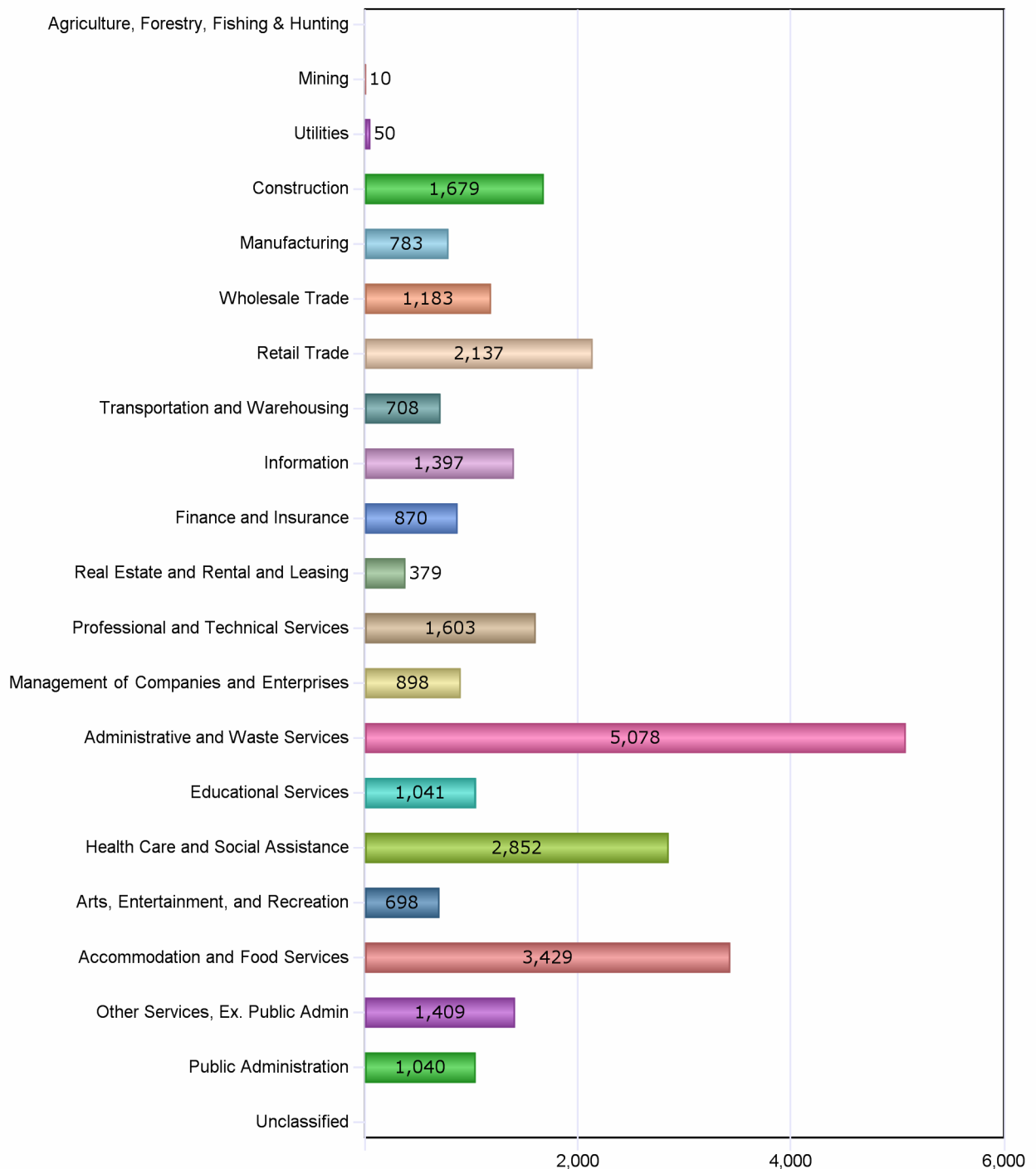
	LWIA X	Virginia
3rd Qtr. 2004	52	1,564
4th Qtr. 2004	56	1,784
1st Qtr. 2005	130	3,967
2nd Qtr. 2005	61	1,908
3rd Qtr. 2005	70	2,564
4th Qtr. 2005	69	2,437
1st Qtr. 2006	105	3,014
2nd Qtr. 2006	83	2,872
3rd Qtr. 2006	54	2,081
4th Qtr. 2006	36	1,293
1st Qtr. 2007	340	6,496
2nd Qtr. 2007	104	3,270
3rd Qtr. 2007	96	2,952

Note: The following criteria was used to define new startup firms:

- 1.) Setup and liability date both occurred during 3rd Quarter (July, August, September) 2007
- 2.) Establishment had no predecessor UI Account Number
- 3.) Private Ownership
- 4.) Average employment is less than 250
- 5.) For multi-unit establishments, the parent company must also meet the above criteria.

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2007.

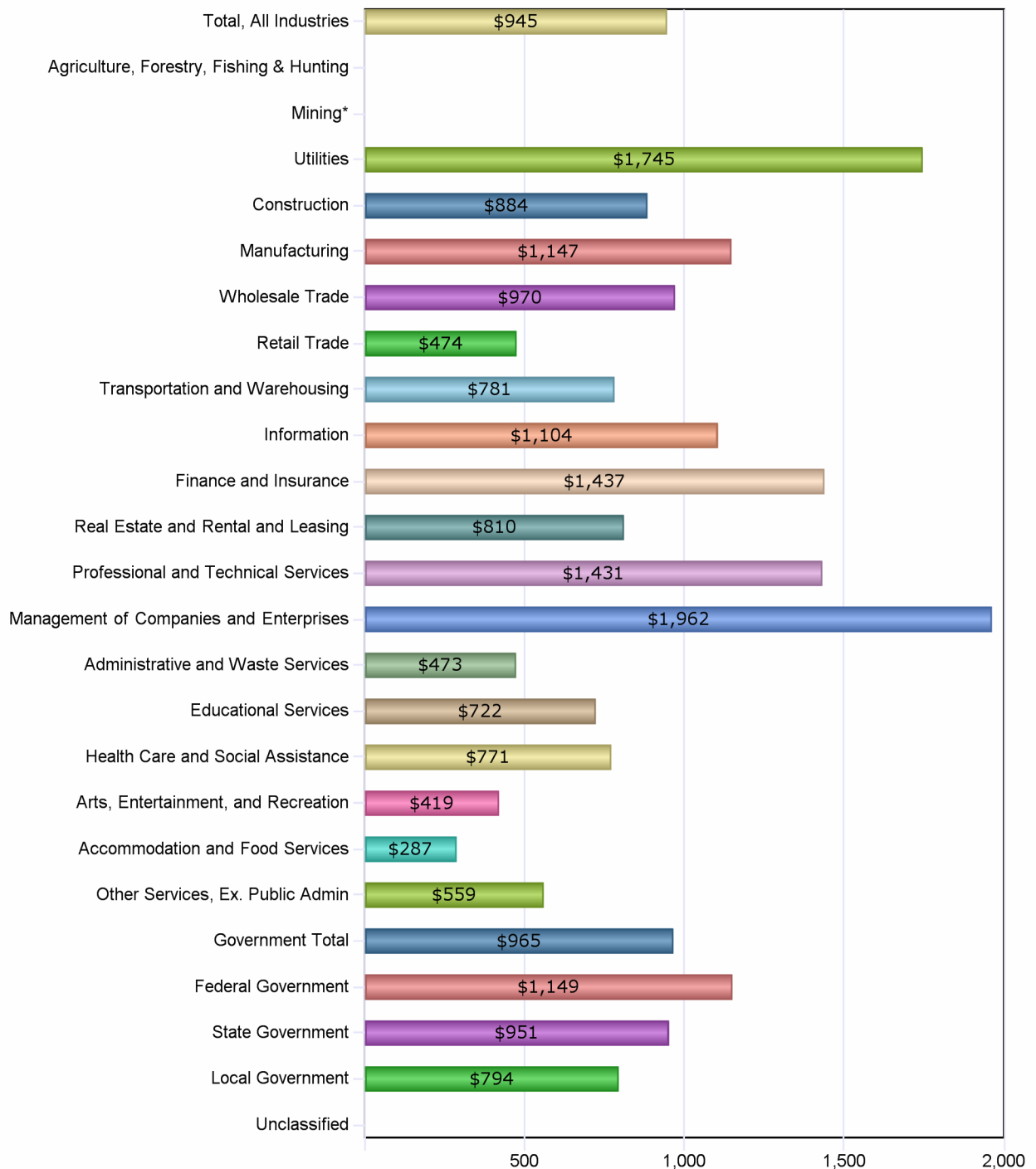
## New Hires by Industry



**Total: 27,245**

Source: U.S. Census Bureau,  
Local Employment Dynamics (LED) Program, 2nd Quarter (April, May, June) 2007, all ownerships.

## Average Weekly Wage by Industry



Note: Asterisk (\*) indicates non-disclosable data.

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2007.

## Age of Workers by Industry

	14 - 18	19 - 21	22 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
Total, All Industries	2,356	6,150	9,986	35,149	40,257	45,262	26,139	6,003
Agriculture, Forestry, Fishing & Hunting								
Mining				13	4	2		
Utilities	4	8	20	143	208	220	113	13
Construction	92	302	393	1,512	1,687	1,616	859	247
Manufacturing	42	115	223	908	1,480	1,605	901	232
Wholesale Trade	25	101	209	1,435	2,442	4,706	1,844	249
Retail Trade	654	944	849	1,787	1,843	1,833	1,165	535
Transportation and Warehousing	23	137	165	650	1,137	1,137	725	175
Information	43	109	270	1,381	1,352	1,451	870	112
Finance and Insurance	12	204	562	2,593	2,996	2,641	1,362	184
Real Estate and Rental and Leasing	22	70	124	502	543	543	290	138
Professional and Technical Services	36	161	1,069	4,045	3,435	2,617	1,559	325
Management of Companies and Enterprises	62	252	564	2,850	3,926	4,828	2,429	322
Administrative and Waste Services	128	605	853	2,277	2,582	2,552	1,381	503
Educational Services	121	891	1,133	3,556	3,539	4,596	3,625	849
Health Care and Social Assistance	119	465	1,084	4,944	5,368	5,873	3,189	739
Arts, Entertainment, and Recreation	44	112	197	488	479	556	353	101
Accommodation and Food Services	772	1,245	1,388	2,514	1,793	1,233	470	166
Other Services, Ex. Public Admin	105	270	388	1,044	1,181	1,345	956	451
Public Administration	52	160	495	2,506	4,263	5,907	4,047	662

Source: U.S. Census Bureau,  
Local Employment Dynamics (LED) Program, 2nd Quarter (April, May, June) 2007, all ownerships.

## What is LED?

Developed by the U.S. Census Bureau, the Local Employment Dynamics (LED) program merges Virginia's quarterly unemployment insurance wage records and QCEW business establishment records with their demographic data. This allows us to provide statistical data that was not possible before.

Read more about LED on the following website:

<http://lehd.dsd.census.gov>



## Total Employment by Industry

	Employment			Percent	
	Estimated 2004	Projected 2014	Change	Total	Annual
Agriculture, Forestry, Fishing & Hunting	***	***	***	***	***
Mining	381	311	-70	-18.37%	-2.01%
Utilities	***	***	***	***	***
Construction	34,874	39,539	4,665	13.38%	1.26%
Manufacturing	36,717	35,498	-1,219	-3.32%	-.34%
Wholesale Trade	21,125	23,250	2,125	10.06%	.96%
Retail Trade	56,739	63,435	6,696	11.8%	1.12%
Transportation and Warehousing	12,874	14,611	1,737	13.49%	1.27%
Information	10,710	12,149	1,439	13.44%	1.27%
Finance and Insurance	35,848	43,099	7,251	20.23%	1.86%
Real Estate and Rental and Leasing	7,628	8,838	1,210	15.86%	1.48%
Professional and Technical Services	27,136	37,272	10,136	37.35%	3.22%
Management of Companies and Enterprises	20,709	25,279	4,570	22.07%	2.01%
Administrative and Waste Services	31,423	40,528	9,105	28.98%	2.58%
Educational Services	40,415	48,129	7,714	19.09%	1.76%
Health Care and Social Assistance	52,331	68,161	15,830	30.25%	2.68%
Arts, Entertainment, and Recreation	8,140	9,427	1,287	15.81%	1.48%
Accommodation and Food Services	34,248	42,178	7,930	23.15%	2.1%
Other Services, Ex. Public Admin	16,002	18,450	2,448	15.3%	1.43%

Note: Asterisks (\*\*\*) indicate non-disclosable data.

Projections data is for Combined Projections Area (LWIA IX and LWIA X). No data available for City of Richmond (LWIA X).

Source: Virginia Employment Commission,  
Industry and Occupational Projections, 2004-2014.

## Employment by Major Occupation Group

	Employment			Openings		
	Estimated 2004	Projected 2014	% Change	Replacement -ments	Growth	Total
Total All occupations	544,957	637,195	16.93%	12,666	9,550	22,216
Management Occupations	22,911	27,137	18.45%	431	423	854
Business and Financial Operations Occupations	35,375	43,801	23.82%	614	846	1,460
Computer and Mathematical Occupations	17,436	23,945	37.33%	220	651	871
Architecture and Engineering Occupations	9,722	11,620	19.52%	216	190	406
Life, Physical, and Social Science Occupations	5,792	7,034	21.44%	142	124	266
Community and Social Services Occupations	6,599	8,428	27.72%	127	183	310
Legal Occupations	5,654	6,900	22.04%	65	125	190
Education, Training, and Library Occupations	27,066	32,902	21.56%	553	584	1,137
Arts, Design, Entertainment, Sports, and Media Occupations	9,302	10,973	17.96%	172	168	340
Healthcare Practitioners and Technical Occupations	26,717	32,866	23.02%	507	616	1,123
Healthcare Support Occupations	11,042	15,348	39%	174	431	605
Protective Service Occupations	13,685	15,831	15.68%	364	215	579
Food Preparation and Serving Related Occupations	34,929	42,972	23.03%	1,396	804	2,200
Building and Grounds Cleaning and Maintenance Occupations	18,949	22,874	20.71%	377	393	770
Personal Care and Service Occupations	15,994	19,358	21.03%	386	338	724
Sales and Related Occupations	68,211	76,038	11.47%	2,113	801	2,914
Office and Administrative Support Occupations	93,761	104,183	11.12%	2,099	1,235	3,334
Farming, Fishing, and Forestry Occupations	442	505	14.25%	10	6	16
Construction and Extraction Occupations	34,998	39,705	13.45%	721	473	1,194
Installation, Maintenance, and Repair Occupations	25,077	28,477	13.56%	575	348	923
Production Occupations	28,435	29,002	1.99%	682	139	821
Transportation and Material Moving Occupations	32,860	37,296	13.5%	724	460	1,184

Note: Asterisks (\*\*\*) indicate non-disclosable data.

Projections data is for Combined Projections Area (LWIA IX and LWIA X). No data available for City of Richmond (LWIA X).

Source: Virginia Employment Commission,  
Industry and Occupational Projections, 2004-2014.

## Growth Occupations

	Employment			Average Annual Openings			Average Annual Salary
	Estimated 2004	Projected 2014	% Change	Replacements	Growth	Total	
Home Health Aides	2,690	4,520	68.03%	35	183	218	\$19,506
Personal and Home Care Aides	1,178	1,973	67.49%	19	80	99	\$16,782
Counselors, All Other	56	90	60.71%	1	3	4	N/A
Network Systems and Data Communications Analysts	1,995	3,142	57.49%	24	115	139	\$71,295
Physical Therapist Assistants	217	339	56.22%	4	12	16	\$38,908
Physician Assistants	174	271	55.75%	3	10	13	\$64,729
Medical Assistants	1,005	1,537	52.94%	19	53	72	\$26,882
Computer Software Engineers, Applications	2,885	4,386	52.03%	29	150	179	\$76,923
Dental Hygienists	508	765	50.59%	4	26	30	\$72,125
Database Administrators	566	850	50.18%	6	28	34	\$79,502
Dental Assistants	794	1,187	49.5%	22	39	61	\$32,396
Physical Therapist Aides	295	434	47.12%	5	14	19	\$24,303
Network and Computer Systems Administrators	1,597	2,335	46.21%	18	74	92	\$69,999
Computer Software Engineers, Systems Software	1,537	2,216	44.18%	15	68	83	\$85,546
Biochemists and Biophysicists	25	36	44%	1	1	2	\$73,090
Medical Scientists, Except Epidemiologists	181	259	43.09%	3	8	11	\$79,324
Occupational Therapist Assistants	94	134	42.55%	1	4	5	\$46,652
Physical Therapists	609	864	41.87%	6	26	32	\$75,236
Substance Abuse and Behavioral Disorder Counselors	166	235	41.57%	4	7	11	\$38,882
Healthcare Practitioners and Technical Workers, All Other	342	481	40.64%	6	14	20	\$56,434

Note: Asterisks (\*\*\*) indicate non-disclosable data.

Projections and OES wage data are for Combined Projections Area (LWIA IX and LWIA X). No data available for City of Richmond (LWIA X).

Source: Virginia Employment Commission,  
Industry and Occupational Projections, 2004-2014  
Occupational Employment Statistics (OES) Survey, 2006.



## Consumer Price Index (CPI)

### *All Urban Consumers (CPI-U)*

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Ann.	% chg
<b>1998</b>	161.600	161.900	162.200	162.500	162.800	163.000	163.200	163.400	163.600	164.000	164.000	163.900	163.000	1.6
<b>1999</b>	164.300	164.500	165.000	166.200	166.200	166.200	166.700	167.100	167.900	168.200	168.300	168.300	166.600	2.2
<b>2000</b>	168.800	169.800	171.200	171.300	171.500	172.400	172.800	172.800	173.700	174.000	174.100	174.000	172.200	3.4
<b>2001</b>	175.100	175.800	176.200	176.900	177.700	178.000	177.500	177.500	178.300	177.700	177.400	176.700	177.100	2.8
<b>2002</b>	177.100	177.800	178.800	179.800	179.800	179.900	180.100	180.700	181.000	181.300	181.300	180.900	179.900	1.6
<b>2003</b>	181.700	183.100	184.200	183.800	183.500	183.700	183.900	184.600	185.200	185.000	184.500	184.300	184.000	2.3
<b>2004</b>	185.200	186.200	187.400	188.000	189.100	189.700	189.400	189.500	189.900	190.900	191.000	190.300	188.900	2.7
<b>2005</b>	190.700	191.800	193.300	194.600	194.400	194.500	195.400	196.400	198.800	199.200	197.600	196.800	195.300	3.4
<b>2006</b>	198.300	198.700	199.800	201.500	202.500	202.900	203.500	203.900	202.900	201.800	201.500	201.800	201.600	3.2
<b>2007</b>	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	2.8
<b>2008</b>	211.080													

### *Urban Wage Earners and Clerical Workers (CPI-W)*

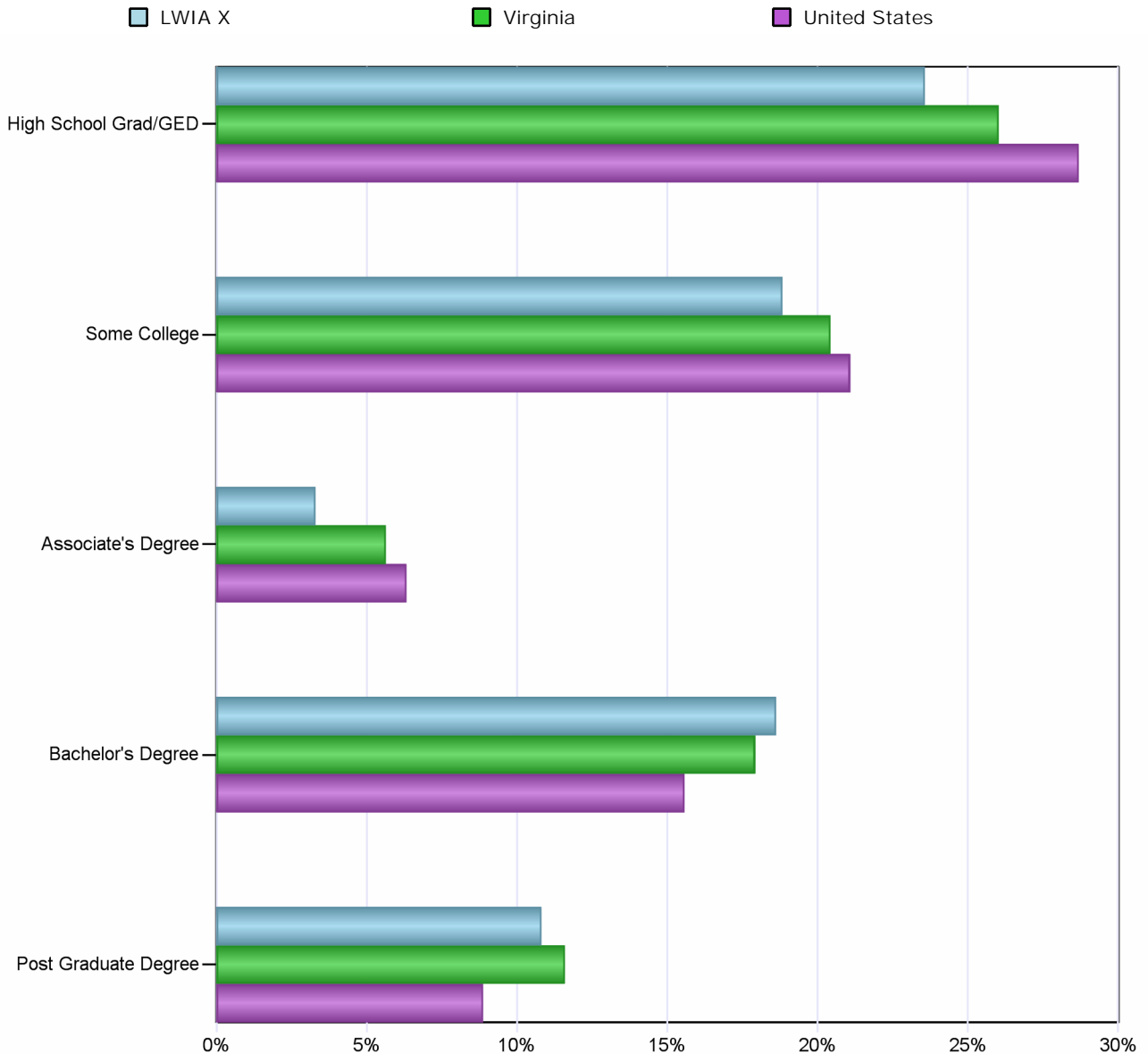
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Ann.	% chg
<b>1998</b>	158.400	158.500	158.700	159.100	159.500	159.700	159.800	160.000	160.200	160.600	160.700	160.700	159.700	1.3
<b>1999</b>	161.000	161.100	161.400	162.700	162.800	162.800	163.300	163.800	164.700	165.000	165.100	165.100	163.200	2.2
<b>2000</b>	165.600	166.500	167.900	168.000	168.200	169.200	169.400	169.300	170.400	170.600	170.900	170.700	168.900	3.5
<b>2001</b>	171.700	172.400	172.600	173.500	174.400	174.600	173.800	173.800	174.800	174.000	173.700	172.900	173.500	2.7
<b>2002</b>	173.200	173.700	174.700	175.800	175.800	175.900	176.100	176.600	177.000	177.300	177.400	177.000	175.900	1.4
<b>2003</b>	177.700	179.200	180.300	179.800	179.400	179.600	179.600	180.300	181.000	180.700	180.200	179.900	179.800	2.2
<b>2004</b>	180.900	181.900	182.900	183.500	184.700	185.300	184.900	185.000	185.400	186.500	186.800	186.000	184.500	2.6
<b>2005</b>	186.300	187.300	188.600	190.200	190.000	190.100	191.000	192.100	195.000	195.200	193.400	192.500	191.000	3.5
<b>2006</b>	194.000	194.200	195.300	197.200	198.200	198.600	199.200	199.600	198.400	197.000	196.800	197.200	197.100	3.2
<b>2007</b>	197.559	198.544	200.612	202.130	203.661	203.906	203.700	203.199	203.889	204.338	205.891	205.777	202.767	2.9
<b>2008</b>	206.744													

Note: CPI data is for the United States only. No data available for City of Richmond (LWIA X).

The CPI-U includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. The CPI-W only includes expenditures by those in hourly wage earning or clerical jobs.

Source: Bureau of Labor Statistics,  
Consumer Price Indexes (CPI) Program.

### Education Level (Population 25 years and over)



	LWIA X	Virginia	United States
<b>High School Grad/GED</b>	30,314	1,212,463	52,168,981
<b>Some College</b>	24,224	951,700	38,351,595
<b>Associate's Degree</b>	4,249	262,813	11,512,833
<b>Bachelor's Degree</b>	23,951	835,011	28,317,792
<b>Post Graduate Degree</b>	13,910	539,977	16,144,813

Source: 2000 Census.

## APPENDIX VI: ZONING REGULATIONS

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES\***

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**\*Editor's note:** Ord. No. 1037, adopted Aug. 13, 2002, amended and reordained Art. VIII in its entirety to read as herein set out. Former Art. VIII was titled "RPN Planned Neighborhood District; Uses" and derived from §§ 22-31--22-34 of the 1980 Code.

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### **Sec. 24-31. Purpose of district.**

The purpose of the Urban Mixed Use District (the "UMU district") is to allow development of mixed-use, pedestrian-oriented, activity centers containing a variety of uses, including business, retail, residential, cultural, educational, and other public and private uses. The UMU district is intended to encourage redevelopment and reinvestment in commercial and industrial areas. The UMU district shall incorporate publicly accessible community open space areas and encourage high quality development and redevelopment that stimulates investment, generates jobs, increases available housing options, and expands the county's tax base. The UMU district also permits a compatible mix of uses in a single structure or a group of structures on a parcel or group of parcels and is intended to discourage piecemeal development. The UMU district will facilitate investment by increasing the number of permitted principal and accessory uses in a single district and will encourage high quality redevelopment by permitting greater regulatory flexibility and innovative and creative design.

The UMU district is not intended for general application throughout the county. The UMU district should be limited to areas with adequate infrastructure and served by necessary transportation facilities (i.e., available public transit, close proximity to an interstate interchange, rail center, etc.). The UMU district shall front on and have primary access to a major access road, major collector, minor arterial, or major arterial roadway as designated on the county's major thoroughfare plan. Areas proposed for UMU district development must be identified on the land use plan, and development in the UMU district shall be consistent with the goals, objectives, and policies set forth in the urban mixed use development provisions of the comprehensive plan.

(Ord. No. 1037, § 2, 8-13-02)

### **Sec. 24-32. Principal uses permitted.**

Unless otherwise provided by this section, no principal use other than an office building, parking garage, hotel, or motel shall exceed 10,000 square feet in floor area.

- a) Animal hospital or veterinary clinics for small animals, dogs, cats, birds and the like. All treatment rooms, cages, pens or kennels shall be within a completely enclosed, soundproof building, and such hospital or clinic shall be operated so as not to produce any objectionable noise, odors or vermin outside its walls. Site plans shall be reviewed and approved by the planning commission as provided by section 24-106.
- b) Antique shops for the sale of bona fide antiques, except that no auctions are permitted.
- c) Automotive filling and service stations and automotive washing facilities provided such uses shall be located within and have access only through a parking garage or parking deck and are entirely screened from any sidewalks and adjacent streets.
- d) Barbershops and beauty parlors.
- e) Banks, savings and loans, small loan offices and similar financial institutions.
- f) Bicycle sales and repair shops.
- g) Catering establishments and meal delivery services.

- h) Child care centers, babysitting services and adult day care centers.
- i) Churches and parish houses (except rescue missions and revival tents), schools (including child care, charitable, cultural, and other community service activities on school property), colleges and universities (including educational, scientific and other related research facilities). County-owned or county-leased buildings and properties of a conservation, cultural, administrative or public service type and publicly-owned or publicly-leased buildings of a recreational type, with approval of a layout plan of development, in accordance with section 24-106, by the board of supervisors, except group care facilities as permitted herein.
- j) Clinics and laboratories: Medical, dental, and optical, provided that no single clinic or laboratory shall contain more than 15,000 square feet of floor area.
- k) County-owned facilities, public water or sewage pumping stations, water storage tanks, and well houses.
- l) Florist and flower shop.
- m) Furniture, television and appliance sales, service and repair, including service and repair of any type of home appliance.
- n) Garage, vehicle parking or storage. Off-site parking facilities for any use within the UMU district may be permitted provided that parking garage structures shall conform to the regulations of the UMU district.
- o) Grocery or convenience food store, provided that no individual store shall contain more than 30,000 square feet of floor area.
- p) Hotel, motel, and motor lodge.
- q) Laundromat and self-service dry-cleaning establishments; retail laundry or cleaning and pressing establishments employing not more than three persons in the actual cleaning process. Establishments shall use nonflammable cleaning solvents, fully enclosed cleaning and solvent reclamation processes, fully enclosed pressing equipment with no outside steam exhaust, and other devices or arrangements necessary to fully protect adjacent properties from noise, odors, and vapors.
- r) Marina. May include, but is not limited to, marine recreation areas involving principally the use of natural water resources, boat harbors and docks, boat sales, repair and rental, boat and fishing clubs, bathing beaches and fishing areas.
- s) Museum and art gallery.
- t) Office and office building, business, professional and administrative.
- u) Packaging store and mailing service.
- v) Parking lot, noncommercial.
- w) Pet shop, dog beauty parlor and obedience school. All work rooms, cages, pens, or kennels shall be maintained within a completely enclosed, soundproof building and such shop, parlor or school shall be operated so as not to produce any objectionable noise, odors, or vermin outside its walls.
- x) Printing, publishing, engraving, blueprinting, photocopying, photographic processing, and similar uses.
- y) Fraternities, lodges, or similar meeting places of nonprofit organizations.
- z) Public utility structure and facility such as water or sewage pumping station, well house, water storage tank, telephone exchange building, static transformer, repeater or switching station, communication tower and antennas up to 50 feet, and transportation passenger station, but not including facilities for construction, repair, service, or storage of utility equipment.
- aa) Railroad, streetcar or similar line which may include, but is not limited to, electric transmission lines and pipelines on a private right-of-way or easement (other than service lines or electric transmission lines in easements or public roads created by subdivision, or on the premises of individuals).

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

- bb) Recreation facilities, indoor, including fitness centers, theaters, bowling alleys, skating rinks (ice skating and roller skating), swimming pools, tennis courts, model racing tracks, electronic video game rooms, bingo halls and similar activities.
- cc) Recreation facilities, noncommercial, outdoor, including swimming pools, tot lots, and tennis, racquetball, handball, basketball, or similar courts.
- dd) Residential uses as follows:
  - 1. Multifamily residential, including condominiums, as stipulated below:
  - 2. *Area and density.* The density of multifamily residential development shall not exceed 40 dwelling units per acre unless otherwise permitted by the board of supervisors in accordance with section 24-32.1.
  - 3. *Roads.* Roads, driveways, and parking areas shall be designed and constructed in accordance with pavement design standards and specifications of the department of public works.
  - 4. *Refuse containers.* Containers for refuse and recyclable materials shall be located in an enclosed area conveniently accessible to all residents. Enclosures shall be constructed of finished masonry materials with the exception of gates and doors. Gates and doors shall be opaque, substantial, and oriented to minimize views of the enclosures from public rights-of-way. Concrete pavement shall be used for the refuse container pad and apron.
  - 5. *HVAC screening.* HVAC and mechanical equipment shall be screened from view at ground level. Screening shall consist of landscaping or materials used in the principal building's exterior. If used, HVAC wall units must be architecturally compatible with the building.
  - 6. Townhouse for sale as stipulated below:
    - a) *Area and density.* The density of townhouse for sale development shall not exceed 12 dwelling units per acre unless otherwise permitted by the board of supervisors in accordance with section 24-32.1.
    - b) *Roads.* Roads, driveways, and parking areas shall be designed and constructed in accordance with pavement design standards and specifications of the department of public works.
    - c) *Refuse containers.* Containers for refuse and recyclable materials shall be located in an enclosed area conveniently accessible to all residents. Enclosures shall be constructed of finished masonry materials with the exception of gates and doors. Gates and doors shall be opaque, substantial, and oriented to minimize views of the enclosures from public rights-of-way. Concrete pavement shall be used for the refuse container pad and apron.
    - d) *HVAC screening.* HVAC and mechanical equipment shall be screened from view at ground level. Screening shall consist of landscaping or materials used in the principal building's exterior. If used, HVAC wall units must be architecturally compatible with the building.
    - e) *[Maximum building height.]* Urban mixed use townhouses for sale shall have a maximum building height of 35 feet.
    - f) *Architectural treatment:*
      - 1. A minimum distance of ten feet of common area shall separate any two rows of lots.
      - 2. Not more than four abutting townhouses shall have the same architectural facades and treatment of facing materials. Variations may be achieved through colors, material textures, or sculptural effects. A building offset including the roofline shall be provided for each two connecting units.
      - 3. Nursing home, convalescent home, continuing care retirement community, or home for the aged.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

4. Licensed group care facilities located and operated in any dwelling or housing type as permitted by this section and as regulated by this chapter.
- (ee) Restaurant, delicatessen, and ice cream parlor, but not restaurants having drive-through windows. Outside dining for restaurants shall be permitted, provided the location and arrangement will not adversely affect adjacent properties or uses.
- (ff) Stores or shops for the conduct of retail sales including sale of art and art supplies, auto parts and accessories (but not service or installation), beverages, books, carpets, clothing, coins, computers and software, draperies, drugs, fabrics, furniture and appliances, garden supplies, gifts, glass sales and service excluding auto or truck repairs, handcrafts, hardware or locksmiths, hobby supplies, jewelry, office supplies and stationery, paint, picture framing, wallpaper, shoes and shoe repair, sporting goods, televisions, video recorders, stereos, radios, microwaves, small appliance sales, service, and repair, video stores, and stores and shops similar to the preceding.
- (gg) Studios and shops for artists, photographers, writers, teachers, jewelers, tailors and dressmakers, taxidermists, weavers and other craftsmen, sculptors and musicians, provided no such studio or shop shall contain more than 5,000 square feet.
- (hh) Television receiving antennas and support structures for home use and amateur radio broadcasting and receiving antennas and support structures not exceeding 50 feet in height.
- (ii) Temporary outdoor stand or sales area for the retail sale of Christmas trees, wreaths, holly and similar decorative horticultural items as provided by section 24-57.
- (jj) Temporary display of a model dwelling unit for the purpose of advertising the sale of such dwelling units.
- (kk) Trade or business school for industrial training, trade or business, but not involving internal-combustion engines, heavy-duty trucks, construction machinery, heavy-duty materials handling equipment or similar vehicles and equipment.
- (ll) Other retail and service uses which are of the same general character as those listed above as permitted uses. Such additional uses may be permitted by the director of planning in accordance with section 24-109.
- (Ord. No. 1037, § 3, 8-13-02)

### **Sec. 24-32.1. Provisional uses permitted.**

The purpose of the following provisional uses within the UMU district is to encourage a mix of uses developed at a greater density than other areas of the UMU district. The following uses may be permitted as provisional uses if approved by the board of supervisors in accordance with sections 24-120 and 24-122.1:

- (a) An area designated for the preparation or service of food or beverages or the sale or display of merchandise conducted in an open area or structure by one or more individual vendors operating from stalls, stands, carts, vehicles or other spaces which are rented or otherwise made available to such vendors. Such activities may include a flea market, sale of merchandise as part of a permitted festival or other similar special event, or the outdoor display or sale by a single food or beverage vendor, operated as an incidental part of retail activity regularly conducted from within a permanent building on the premises.
- (b) Parking lot, commercial, but not including any automobile, truck, motorcycle, boat, or recreational vehicle sales, rental or storage lot.
- (c) Automotive filling station consisting of an attendant sales office and convenience food or grocery store or any permitted use with fuel pumps. There shall be no outdoor speakers, no exterior display of merchandise, and no facilities for automotive service or maintenance. Bulk storage of fuel shall be underground. Lighting fixtures shall not exceed a height of 20 feet. No temporary storage of wrecked or inoperable vehicles or storage or rental of vehicles, trailers, campers, or similar equipment shall be permitted. Site plans shall be reviewed and approved by the planning commission as provided by section 24-106.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

- (d) Car wash.
  - (e) Retail service, recreation facilities and office uses otherwise permitted without limitation to floor area.
  - (f) Antique auction, indoor.
  - (g) Auditorium and assembly hall, coliseum, and stadium.
  - (h) Billiard parlor with hours of service to the general public from 1:00 p.m. on Sunday and 6:00 a.m. on other days until midnight, unless extended hours of operation are specifically authorized by the board of supervisors as a condition of the use permit.
  - (i) Boat and boat trailer sales, rental, and service.
  - (j) Department store without limitation to floor area.
  - (k) Drapery making and furniture upholstering shops.
  - (l) Drive-through service window for uses permitted in section 24-32.
  - (m) Grocery or convenience food store without limitation to floor area.
  - (n) Heliport (landing facilities only, no fueling or service facilities).
  - (o) Office-warehouse, when the warehouse area does not exceed 15,000 square feet and all materials are stored within an enclosed building for use by the business concern occupying the building.
  - (p) Radio and television stations and studios, broadcasting or recording studios.
  - (q) Recreation facilities, commercial, outdoor, including miniature golf courses, golf driving ranges, skating rinks, swimming pools and water slides, skateboard parks and similar uses and activities.
  - (r) Sign printing and painting shop, excluding fabrication.
  - (s) Television receiving antennas and support structures for home use and amateur radio broadcasting and receiving antennas and support structures exceeding 75 feet in height.
  - (t) Other uses which are of the same general character as those listed above as permitted by the board of supervisors by provisional use permit.
  - (u) Buildings and structures exceeding 60 feet in height.
  - (v) Density of multifamily residential development exceeding 40 dwelling units per acre.
  - (w) Density of townhouse for sale development exceeding 12 dwelling units per acre.
- (Ord. No. 1037, § 4, 8-13-02)

### **Sec. 24-33. Accessory uses permitted.**

- (a) Any accessory use as permitted and as regulated in the B-2 district, except as provided or regulated otherwise herein.
  - (b) Other accessory uses, not otherwise prohibited, customarily accessory and incidental to any use permitted by right or provisional use permit.
  - (c) Signs as regulated in section 24-34.
  - (d) Storage of office supplies and merchandise for retail sale, provided such items are normally carried in stock in connection with a permitted office or business use subject to UMU district regulations.
  - (e) Vending machines for food, beverages, and similar merchandise. Not more than two such machines may be permitted on the premises outside an enclosed building.
  - (f) Newspaper boxes, public telephone stations, and similar uses.
  - (g) Not more than two billiard, pool or bagatelle tables operated incidental to the principal business use shall be permitted in a single business establishment. Any business open to the public when billiards, pool or bagatelle tables are provided shall close between the hours of 12:00 a.m. midnight and 6:00 a.m. unless extended hours of service are permitted pursuant to subsection (a) of section 24-58.2.
- (Ord. No. 1037, § 5, 8-13-02)

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**



## **Sec. 24-34. Development standards.**

The standards set out below shall be in lieu of the standards required elsewhere in this chapter:

(a) *Minimum area.* A project must contain at least 20 acres. In calculating the minimum acreage of the project, land zoned C-1 conservation district may be included, but existing publicly dedicated streets and proposed public rights-of-way shall not be included.

(b) *Mixture of uses.* A minimum of 25 percent of the building square footage in the UMU district shall be developed for commercial or office uses unless otherwise approved by the board of supervisors at the time of rezoning. The required percentage of commercial or office uses shall be achieved at the 50 percent and 90 percent completion of construction thresholds of the total building square footage within the UMU district. The developer shall provide this calculation with the plans of development submitted for each phase of the project.

(c) *Covenants required.* Each tract of land within a project shall be under the supervision or control of a unified, central authority for the life of the project. To this end, restrictive covenants shall be recorded for each tract to be developed. Proposed restrictive covenants shall be submitted to the planning office for review and approval as to form satisfactory to the county attorney prior to any formal approval for development within the UMU district, and they shall be recorded prior to building permit approval. The covenants shall, at a minimum, provide for the creation of a property owners' association; maintenance of individual sites, common area, open space, landscaping and buffering and private streets; and minimum development and operational standards for each tract.

(d) *Height.* No building or structure shall exceed a height of 60 feet unless otherwise permitted by the board of supervisors pursuant to section 24-32.1(u).

(e) *Street access.* The primary access to the UMU district shall be directly from a major access road, major collector, minor arterial, or major arterial roadway as designated on the county major thoroughfare plan.

(f) *Landscaping and buffering.*

(1) *Purpose.* The purpose of the UMU district landscaping and buffering standards is to provide visual enhancement of the UMU district; protect and promote the appearance, character and economic value of property; reduce visibility of parking areas and other unattractive areas from adjacent properties and public lands; moderate climatic effects; minimize noise and glare; enhance public safety; reduce stormwater runoff; and provide visual transition between neighboring properties.

(2) *Applicability.* This section shall apply to all UMU district development plans. The developer shall submit a landscape plan with each final site plan approved for each phase of development.

(3) *General landscaping requirements.*

a. *Type and variety.* Plant materials shall be selected from the approved plant list in the current landscape manual. All modifications shall be approved by the director of planning in accordance with the substitutions or modifications section of the landscape manual.

b. *Bonding.* Prior to the issuance of a certificate of occupancy, the applicant shall provide a maintenance bond. The maintenance bond shall be in the amount of one-third of the value of the required landscaping, and shall be held for a period of 24 months following the date of certificate of occupancy issuance. A certificate of occupancy shall not be issued until the required landscaping is planted in accordance with the approved landscape plan. If planting cannot occur due to seasonal or other constraints, the director of planning may accept a performance surety to insure future installation of plantings. The performance surety may be submitted in the form of an irrevocable letter of credit, certified check, or cash escrow. The surety shall include the full cost of plant materials and installation costs such as, but not limited to, soil treatment, labor, and guying costs. If the director of planning accepts performance surety

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

to insure future plantings, all required landscaping shall be installed by the following planting season.

c. *Sight distance.* The landscape plan shall identify a sight distance triangle at all intersections. The sight distance triangle shall include the area between the lines of an intersecting street or private drive and a straight line connecting them at a point 20 feet distant from the existing or proposed right-of-way line or private drive intersection. No trees, shrubs, or other materials shall be placed where they will impede visibility above two and one-half feet or below a height of eight feet above the established curb grade within a sight distance triangle or where prohibited by the Virginia Department of Transportation or the department of public works.

(4) *Preservation of existing trees.* Preservation of existing trees and shrubs shall be maximized to provide for continuity and improved buffering ability. Existing trees within 50 feet of existing water bodies such as lakes, rivers, streams, and wetlands, shall be preserved. Except for tree canopy requirements, trees retained for compliance with this section shall not be less than six feet in height, shall be noted on the landscape plan, and shall comply with the following:

a. Prior to landscape plan approval, the property owner shall sign a statement stating protective measures to be taken and agreeing to replace trees or shrubs that die or are removed during or after construction;

b. The landscape plan shall identify the protection area and method of protection for retained trees. The minimum radius of the protection area shall be determined by multiplying the tree diameter in inches at four feet in height by one foot or by delineation of the drip line of the tree, whichever is greater;

c. The protection area shall be identified during construction with high visibility fencing. There shall be no encroachment including, but not limited to, earth disturbing activities such as grading or stockpiling of soil or materials within the protection area;

d. Any vegetation removed before, during or after construction shall be replaced with new vegetation which meets the minimum requirements of this section.

(5) *New trees.* Required tree plantings shall conform to the following minimum standards with caliper measurements taken six inches above grade. At time of planting:

a. Canopy trees for streetscape use shall measure a minimum of three and one-half inch caliper; for general landscape use, a minimum of two and one-half inch caliper is required.

b. Ornamental trees for streetscape use shall measure a minimum of two and one-half inch caliper; for general landscape use, a minimum of one and one-half inch caliper is required.

c. Screening trees shall measure a minimum of eight feet in height.

(6) *New shrubs.*

a. Shrubs for streetscape and general landscape use shall measure a minimum of 24 inches in height or 18 inches in spread at time of planting.

b. Shrubs for screening use shall measure a minimum of 30 inches in height at time of planting.

(7) *Tree canopy.* Tree canopy requirements shall be calculated in accordance with the current landscape manual. A minimum 15 percent tree canopy shall be provided for all sites.

(8) *Screening.*

a. Walls, fences, and plantings shall be utilized to physically reinforce an edge or street wall condition and to improve the visual environment of the UMU district.

b. Screening devices shall be required whenever:

1. Parking areas occur along public rights-of-way;

2. Loading, service and trash collection areas, and utility and mechanical equipment areas are visible from public rights-of-way or other properties.

3. Stormwater management facilities are placed within the development;

4. Incompatible or less intense uses abut the UMU district.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

(9) *Minimum screening requirements.*

- a. The minimum planting area width for screen landscaping shall be ten feet. The screen landscaping strip shall not be located in areas identified for public improvement projects or in public easements.
- b. The screen landscaping strip shall consist of existing vegetation, proposed landscaping, berms, an opaque wall, or a combination thereof.
- c. Berms within the ten-foot screen landscaping strip shall have a maximum slope of 2:1.
- d. If a proposed use within the UMU district abuts an incompatible or less intense district or use, the landscape buffer between the districts or uses shall be a minimum of 35 feet unless an alternative buffer is approved by the director of planning. The buffer area shall minimize the adverse effects on the less intense district or use.

(10) *Streetscape planting.*

- a. *Applicability.* Streetscape plantings shall be required on or along all rights-of-way in the UMU district. Any existing roadways abutting or included within the development shall be subject to the streetscape planting standards of this section.
- b. *Minimum requirements.*
  1. A continuous eight-foot wide streetscape planting strip shall be located adjacent to an existing or proposed roadway.
  2. Trees, shrubs, groundcovers, ornamental grasses, flowers and turf grasses shall be planted within the planting strip.
  3. Canopy trees shall be planted a maximum of 35 feet on-center. The spacing may occasionally be adjusted for design and spatial definition purposes if approved by the director of planning.
  4. Ornamental trees shall be planted a maximum of 12 feet on-center. The spacing may be adjusted for design purposes if approved by the director of planning. The use of ornamental trees as street trees shall be limited to areas with overhead constraints.
  5. Shrubs and ornamental grasses within the streetscape planting strip shall be maintained at a maximum height of 36 inches or 30 inches within a sight distance triangle.

(11) *Parking lot landscaping requirements.*

- a. Parking lot landscaping shall contain:
  1. An average of four trees for each 100 feet of road frontage, with the exception of driveways. Such trees shall be evenly spaced along the right-of-way frontage, located within ten feet of the edge of roadway pavement, and placed between the edge of roadway pavement and sidewalk if sidewalks are constructed parallel to the roadway. This requirement may be satisfied if such trees are located within the right-of-way. Such trees shall be regularly trimmed so that the bottom six to eight feet of the tree trunk remains clear of branches and vegetation.
  2. A continuous line of evergreen shrubbery planted along the entire perimeter of the parking lot not more than ten feet behind the trees along the right-of-way frontage. The shrubbery must be at least two feet high when planted and shall be regularly trimmed for appearance and height not to exceed three and one-half feet.
- b. Parking lots shall be landscaped in accordance with the landscape manual.

(g) *Common area, open space and preservation requirements.*

- (1) Minimum area. At least 20 percent of the entire project shall consist of conservation, outdoor recreation and open space areas for the common use and enjoyment of residents, visitors and employees within the UMU district and shall be clearly delineated in the project's master plan. These areas shall be equally distributed throughout the project and may include bodies of water, historic sites, works of art, outdoor recreation and public meeting areas, landscaping, and buffer areas. Internal bikeways and pedestrian walkways shall connect open space areas. Common areas may be conveyed and shall be controlled in accordance with the covenants required by this article.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

(2) Environmental protection, wetland, floodplain, and other environmentally sensitive areas and stormwater management and "best management practices" (BMP) areas are excluded from minimum open space area requirements unless they are used as a design feature or recreational amenity.

(3) Common areas and areas designated for open space and recreation shall be designed and arranged in order to provide maximum use and accessibility to all owners or residents of the project or by the public if dedicated for public use.

(4) When recreational facilities are not included in the project, the common area shall contain land other than floodplains, steep slopes, wetlands and resource protection areas of sufficient size suitable for recreational uses such as swimming pools, playgrounds, ball fields, tennis courts and similar uses.

(5) Common areas shall be protected and maintained during the development process as required by the applicable provisions of this chapter and chapter 10 of this Code. During the development process, common areas shall not be used for storing, filling or dumping of any materials and shall not be denuded, defaced or otherwise disturbed without the prior approval of the appropriate county department and the director of planning. If disturbed, such areas shall be restored by the developer or owner to the condition existing prior to the disturbance, including the removal of dead or damaged trees, stumps, and remnants in accordance with an appropriate plan containing performance guarantees approved by the director of planning.

(6) Common areas shall be maintained by the developer or owner of the project until they are conveyed to a property owners association whose members shall be owners of property in the project. The common areas shall be held by the owners association for use and enjoyment of its members. If the developer or owner conveys the common area to an owners association, deed restrictions and covenants, in form and substance satisfactory to the county attorney, shall provide that any assessments, charges or costs of maintenance of the common areas constitute a pro rata lien upon the individual properties inferior in lien and dignity only to taxes and bona fide duly recorded first deeds of trust on each property or lot.

(7) Areas dedicated to the county for public use, other than streets dedicated by the subdivision plat, shall be conveyed to the county only in a manner and form approved by the county attorney.

(h) *[Improvements.]* Improvements including, but not limited to, private streets, street lights, sidewalks, and encroachments shall be maintained by the developer or owner of the project until they are conveyed to a property owners association whose members shall be owners of property in the project. If the developer or owner conveys the improvements to an owners association, deed restrictions and covenants, in form and substance satisfactory to the county attorney, shall provide that any assessments, charges, and costs of maintenance constitute a pro rata lien upon the individual properties inferior in lien and dignity only to taxes and bona fide duly recorded first deeds of trust on each property or lot.

(i) *Public water and sewer.* All projects shall be served by public water and sewer.

(j) *Utility lines underground.* All new utility lines such as electric, telephone, CATV or other similar lines shall be installed underground. This requirement shall apply to lines serving individual sites as well as to utility lines necessary within the project. All junction and access boxes shall be screened with appropriate landscaping.

(k) *Outside storage.* There shall be no outside storage of any equipment, vehicles, materials or supplies, however a trash receptacle area may be permitted if enclosed within an area completely screened from view and architecturally compatible with the buildings on the site.

(l) *Lighting.*

(1) *Purpose.* The purpose of UMU district lighting standards is to encourage good lighting practices designed to conserve energy and money, minimize glare, protect the use and enjoyment of surrounding property, and increasing nighttime safety, utility, security and productivity.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

(2) *Applicability.* The provisions of this section shall apply to any project in the UMU district.

(3) *Lighting standards.*

a. All outdoor lighting fixtures shall be limited to the types of fixtures established by county lighting policy and contained in the project's master plan.

b. Light source locations shall be chosen to minimize the hazards of glare. The height of freestanding lighting fixtures shall not exceed 20 feet, except up to four lighting fixtures may extend to 35 feet at the intersection of public or private streets unless otherwise approved by the director of planning.

c. Illumination. Illumination shall be measured at grade at the property line and shall not exceed 1.0 footcandle ten feet outside the property line unless otherwise approved by the director of planning.

(4) *Street lights.* Street lights shall be installed by the applicant and shall comply with the following:

a. Street lighting shall maintain an average illumination between 0.5 and 1.5 footcandles unless an alternative level of illumination is approved by the director of planning or county traffic engineer for safety purposes.

b. Street light poles shall be designed and placed in accordance with VDOT or county standards. Placement of the street light poles shall be coordinated to be on or near the side property lines of residential dwelling units.

(5) *Parking lot lighting requirements.* Adequate lighting shall be provided for surface parking facilities used at night. The minimum required lighting intensity to be provided in all parking areas is 1.0 footcandle; provided, however, that the lighting intensity for parking lots adjoining a right-of-way or residential area shall not exceed 1.0 footcandle ten feet outside the property line unless otherwise approved by the director of planning.

(6) *Submittal requirements.* A lighting plan shall be submitted with each plan of development that details the location and specifications of all lighting provided. An ISO footcandle diagram shall also be provided to indicate the level and extent of proposed lighting.

(m) *Parking.* Notwithstanding any other requirements with respect to off-street parking set forth in section 24-96, the following provisions shall be applicable in the UMU district:

*Minimum spaces.* On-street parking is permitted but cannot be used in the calculation for minimum required parking spaces. The minimum number of parking spaces required for uses in the UMU district shall be as follows:

a. For nonresidential uses:

Restaurant: One space per 150 square feet of gross floor area.

Retail: One space per 250 square feet of gross floor area.

Office: One space per 300 square feet of gross floor area.

Hotel/motel: One space per bedroom.

Other nonresidential uses shall provide parking as required by section 24-96(b).

b. Off-site parking accessible by walking and located within 1,000 feet of the primary entrance of the building may be used in the calculation of the required parking for a nonresidential use.

c. For residential uses, one parking space per one bedroom studio, loft or efficiency dwelling unit shall be provided, and one and one-half parking spaces per two or more bedroom dwelling unit.

d. Parking within a garage or within an enclosed or covered space may be counted toward meeting off-street parking requirements.

(n) *Sidewalks.* Sidewalks shall be installed along any street, public or private, unless otherwise approved by the director of planning or the planning commission at the time of plan of development review.

(o) *Minimum yard depth (setbacks) and lot width and area.* There shall be no minimum lot area or yard (front, rear, or side) requirements.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

(p) *Comprehensive sign program.* Notwithstanding any other requirements set forth in section 24-104, the following provisions shall be applicable in the UMU district:

(1) Comprehensive sign criteria shall be established to coordinate all nonpublic signage erected within the UMU district.

(2) Signage shall be planned to promote the project and improve the convenience and safety of persons traveling to and within the UMU district.

(3) The numbers, sizes, and types of signs permitted shall be in accordance with the following:

a. No detached sign shall exceed 15 feet in height and, if lighted, the sign shall be internally lit so there are no freestanding spotlights or any type of individual lighting structure. Illuminated sign messages shall be illuminated from within the sign structure.

b. Freestanding building identification sign. One sign per building not to exceed 32 square feet in area. The sign may be erected within an outdoor plaza adjacent to the building.

c. Building signs. For each 40 feet of street frontage, one attached sign not more than 20 square feet in area shall be permitted; provided no building shall have more than two signs. Any building having at least 20 feet but no more than 40 feet of street frontage may have one sign not exceeding 20 square feet in area. Any building having less than 20 feet of street frontage may have one sign not exceeding 16 square feet in area. Each sign shall identify either the name of the building or one principal occupant.

d. A building six stories or more in height shall be eligible for two additional attached building identification signs. The aggregate area of the two additional attached building identification signs shall not exceed 150 square feet. Both signs must be mounted on or above the fourth story of the building but not above the roofline of the building.

e. Additional signs for entrances to upper-floor residential dwelling units. One sign not more than eight square feet in area shall be permitted on the ground floor at each principal entrance providing direct access to the dwelling units.

f. Project identification signs. Two project identification (gateway) signs, not exceeding 100 square feet in the aggregate. Project identification signs shall be placed within the UMU district on property owned and controlled in common by the individual owners of lots or units within the project or within the right-of-way at a principal entrance or intersection serving primarily the project, provided that:

1. Prior to the issuance of any sign permit, the sign location and construction details, including any illumination, shall be reviewed and approved by all persons having jurisdiction, including, but not limited to, the director of public works, chief building official, director of planning or their designees.

2. The director of public works determines the location of the sign does not interfere with the location or placement of any official traffic-control device or with the flow of pedestrian or vehicular traffic and does not impair any sight distance reasonably necessary for pedestrian or traffic safety.

3. The sign shall be properly maintained at all times in accordance with this section by the holder of the permit, its successors or assigns, and if not properly maintained such sign shall be subject to removal from the right-of-way by the permit holder upon request at any time by the director of public works or director of planning.

g. Temporary sale or lease signs. A temporary, nonilluminated sign limited in area to 32 square feet, advertising real estate for sale or lease or announcing contemplated improvements of real estate on which it is placed. The sign shall be removed immediately upon sale or lease of the property or when construction of the contemplated improvements begins.

h. Temporary construction signs. A temporary, nonilluminated sign limited in area to 32 square feet, erected in connection with new construction work and displayed on the premises only during such time as the actual construction work is in progress.

i. Wall signs. Signs may be painted on or attached flat against a wall or other vertical surface of a main building, provided that such signs shall not extend beyond the extremities of the surface

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

of the building to which they are attached. Signs attached to the lower plane of a mansard or gambrel roof of a main building shall be permitted as wall signs for the purposes of this provision, provided that such signs shall be attached flat to the roof surface or shall be parallel to the building wall above which they are located, and shall in no case extend beyond the extremities of the roof surface to which they are attached.

j. Projecting signs. Signs attached to and projecting from the face of a wall of a main building shall be permitted, provided that:

1. One projecting sign shall be permitted for each building frontage;
2. No projecting sign shall project greater than five feet from the face of the building or extend above the height of the wall to which it is attached;
3. Projecting signs shall not exceed nine square feet in area;
4. Projecting signs shall provide a minimum under clearance of eight feet;
5. Projecting signs conforming to the provisions of this section may extend over the right-of-way.

k. Awning and canopy signs. Lettering, symbols and combinations thereof constituting a sign may be painted on or affixed to an awning or canopy attached to a main building when such sign does not extend beyond the extremities of the canopy or awning, and provided that:

1. Not more than one awning or canopy containing a sign shall be attached to each building frontage, and no projecting sign shall be attached to such building frontage;
2. Not more than one sign shall be attached to each face of an awning or canopy, and no such sign shall exceed four square feet in area;
3. Awnings or canopies containing signs conforming to the provisions of this section may extend over the right-of-way of a public street when authorized by the director of public works.

l. Directional signs. Directional signs limited to three square feet in area each are permitted when necessary to direct traffic. Directional signs shall not contain advertising copy or identify any tenant and shall be consistent with the general purpose and intent of the project's comprehensive sign program.

m. Freestanding signs. Other freestanding signs consistent with the general purpose and intent of the project's comprehensive sign program may be approved by the director of planning.

n. Animated signs prohibited. Animated signs shall not be permitted.

(Ord. No. 1037, § 6, 8-13-02)

### **Sec. 24-34.1. Submission requirements.**

The applicant shall submit any information required by the director of planning necessary to evaluate a rezoning application or plan of development within the UMU district.

(a) *Preapplication conference.* A preapplication conference with the applicant and director of planning or his designee shall be held at least 60 days prior to the scheduled filing deadline for rezoning. A preliminary plan review may be required by the director of planning.

(b) *Required documents.* The applicant shall submit the following documents to the director of planning for submission to the planning commission and board of supervisors. The director of planning shall determine the number of copies of the master plan and development impact statement to be submitted.

- (1) Rezoning application and fee.
- (2) Provisional use permit application (including master plan) and fee.
- (3) Development impact statement.

(c) *Master plan.* The provisional use permit application shall include a master plan prepared by a licensed surveyor, engineer, architect, landscape architect, or certified planner. It shall include:

- (1) An inset map at a scale of not less than one inch to one mile, showing the property in relation to surrounding roads, subdivisions, or major landmarks.
- (2) A north arrow.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**

(3) The location of existing property lines, watercourses or lakes, wooded areas, and existing roads within or adjoining the property.

(4) Approximate boundaries of each phase or land bay, land uses, densities, approximate location of proposed streets and rights-of-way with an indication of whether public or private; approximate location of recreation areas, common areas, and open spaces; and areas proposed for dedication to public use. In addition to the requirements of section 24-34(g), common areas and open space shall be located to enhance the living environment and provide pedestrian oriented uses. This means that the common open space shall be distributed throughout the project and not aggregated in large areas providing little or no benefit to the individual uses or the project at large.

(5) For each phase or land bay of different uses, a table shall show the following:

- a. The uses;
- b. Acreage of common area and open space;
- c. Maximum number of dwelling units and density for residential areas, and square feet of floor space for office/commercial or office/service areas;
- d. Maximum acreage of each use;
- e. Site/building coverage ratios;
- f. Parking, required and provided;
- g. Other information required by the director of planning.

(6) Schematic plans which shall indicate the phasing of development and master water, sewer and drainage plans.

(7) The guarantees and assurances that will be provided for the maintenance of common areas, open space, recreation areas, sidewalks, parking, private streets, and other privately-owned but common facilities serving the project.

(d) *Development impact statement.* The development impact statement shall describe the probable effects of the proposed project upon the community. It shall include sufficient information and a detailed and thorough analysis to evaluate the impact of the project on the county. The applicant shall submit any information required by the director of planning necessary to evaluate a request for the UMU district. At a minimum, it shall address the following:

(1) Adequacy of existing public facilities and services to serve the project. Analysis shall address sewer, water, schools, fire stations, and other public facilities and services.

(2) Additional on-site and off-site public facilities or services which would be required as a result of the project.

(3) A traffic impact study shall be prepared by an individual or firm qualified to conduct traffic engineering studies in a manner and form acceptable to the county traffic engineer.

(4) Fiscal impact of the proposed project, such as estimated tax revenues to be generated versus the cost of public improvements to be financed by the county or otherwise. Such study shall be prepared by an individual or firm qualified to conduct fiscal impact analysis in a manner and form acceptable to the director of finance, director of public works, director of planning, or their designees.

(5) Impact of construction and permanent changes in land use upon surrounding property, such as aesthetics, vegetation, stormwater drainage, and noise, air or water pollution.

(6) Employment opportunities to be generated by the project.

(7) Impact of the project on cultural and historic sites.

(Ord. No. 1037, § 7, 8-13-02)

### **Sec. 24-34.2. Procedures.**

(a) *Report of the director of planning.* The director of planning or his designee may refer copies of the rezoning application, provisional use permit application, and development impact statement to other local or state agencies for comments. The application shall be placed on the

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**



earliest permissible planning commission agenda after the director of planning prepares a report with recommendations regarding the applications.

(b) *Consideration by the planning commission and board of supervisors.* The public hearing and consideration by the planning commission and board of supervisors shall be as set forth in sections 24-120, 24-121, and 24-122.1. Upon approval of the applications by the board of supervisors, the UMU district is established. The master plan shall guide the general location of all features shown therein, including land use, densities, roads, public uses, and other features. Plans of development and subdivision plans provided for in section 24-106 and chapter 19 of the county Code shall supersede the master plan and schematic plans. The director of planning shall not approve any building permit until the applicant has guaranteed the completion of public improvements, including but not limited to, public roads, public water, and public sewer facilities by providing either a letter of credit, certified check, cash escrow, cash payment, or other surety, approved as to form by the county attorney.

(c) *[Minor variations.]* Minor variations in final plans, uses, and subdivision plats from the approved master plan may be permitted by the director of planning upon finding the variations are generally in keeping with the spirit and concept of the approved master plan, in accordance with conditions or modifications required by the board of supervisors in its approval, and in accordance with the requirements of this chapter and chapter 19 of the County Code. Requests for variations may be reviewed by the planning commission prior to approval by the director of planning. The planning commission may request such variations be forwarded to the board of supervisors for approval.

(d) *[Amendments to the master plan.]* Amendments to the master plan, including increasing the acreage included in the project, may be made through the provisional use permit procedure as required by section 24-122.1.

## **ARTICLE VIII. URBAN MIXED USE DISTRICT; USES**